



heartwood[®]

PROPERTIES

HEARTWOOD PROPERTIES LIMITED
Incorporated in the Republic of South Africa
Registration Number: 2017/654253/06
4AX Share Code: 4AHWP
ISIN: ZAE400000044
("Heartwood" or "the Company")

NEW VENTURE LISTING BY WAY OF INTRODUCTION

LISTING PARTICULARS DOCUMENT

The definitions and interpretations commencing on page 7 of this Listing Particulars Document apply mutatis mutandis to this cover page.

This Listing Particulars Document has been prepared and issued pursuant to and in accordance with the 4AX Listing Requirements for the purpose of providing information to the public and investors with regards to Heartwood and its Subsidiaries. This Listing Particulars Document does not constitute and/or incorporate an invitation/offer to the public to subscribe for Shares in Heartwood. The 4AX Issuer Regulation Committee has granted Heartwood a listing by way of introduction of its Issued Share Capital on the Securities Exchange operated by 4AX, under the abbreviated name "Heartwood", 4AX Share code 4AHWP and ISIN ZAE400000044, with effect from the commencement of trade on **Tuesday, 20 March 2018**. As at the Listing Date:

- the Authorised Share Capital comprises 400 000 000 (four hundred million) Ordinary Shares;
- the Issued Share Capital comprises 100 000 005 (one hundred million and five) Ordinary Shares;
- zero Shares will be held as treasury Shares; and
- all Shares in issue shall rank *pari passu* with each other in all respects, including in respect of voting rights and Distributions.

It is important to note that Shares may only be traded on 4AX in Dematerialised format and accordingly, all Shareholders who hold their Shares in Certificated format will first have to Dematerialise their Shares in order to trade such Shares on 4AX, which Dematerialisation will be done through the implementation of the Mass Dematerialisation (kindly refer to the section titled "Action required by Shareholders" on page 5).

This Listing Particulars Document includes particulars given in compliance with the 4AX Listing Requirements governing the Official List of Securities, for the purpose of giving information to the public and investors with regards to the Company. The Directors whose names appear on page 12 of this Listing Particulars Document, collectively and individually, accept full responsibility for the accuracy and/or completeness of the information contained herein and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief there are no other facts, the omission of which would make any statement herein false and/or misleading.

Palidus
CAPITAL

**CORPORATE AND TRANSACTION ADVISOR
AND EXTERNAL ISSUER AGENT**

PKFOCTAGON

REPORTING ACCOUNTANT

DATE OF ISSUE: 20 MARCH 2018

This Listing Particulars Document is available in English only and may be obtained from Tuesday, 20 March 2018 until Thursday, 29 March 2018, (inclusive) at the registered offices of Heartwood and the offices of the External Issuer Agent, at the addresses set out in the "Corporate Information and Professional Advisors" section. A copy of the Listing Particulars Document will also be made available for download on the Company's website www.heartwoodproperties.co.za.

CORPORATE INFORMATION AND PROFESSIONAL ADVISORS

DIRECTORS

Julian Hilton Scher* (Chairman)
Andrew Geoffrey Utterson #*
Martin Radford Evans #*
Jakoba Dumas (Financial Director)
Lawrence John Whall (Chief Executive Officer)

* Non-executive

Independent

COMPANY SECRETARY

E R Goodman Secretarial Services Proprietary Limited
(Registration number 2017/091079/07)
Tel No: +27 (0) 11 615-1881/4478
Fax No: 086 594 6472
marilis.erg@netactive.co.za
(PO Box 9420, Verwoerdpark, 1453)

REGISTERED OFFICE

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Paardevelei
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john@heartwoodprop.co.za

CORPORATE AND TRANSACTION ADVISOR AND EXTERNAL ISSUER AGENT

Pallidus Capital Proprietary Limited
(Registration number 2015/030782/07)
1240 John Vorster Drive
Southdowns Ridge Office Park
Suite 3, Irene, Centurion
0123, South Africa
(Postnet Suite 19, Private Bag X32, Highveld Park, 0169)

DATE OF INCORPORATION

12/12/2017

and at

PLACE OF INCORPORATION

Pretoria, South Africa

Ground Floor, Cradock Heights
Corner of Tyrwhitt and Cradock avenues
Rosebank, Johannesburg
2196, South Africa
(Postnet Suite 19, Private Bag X32, Highveld Park, 0169)

Tax residency of the Company

South Africa

REPORTING ACCOUNTANT

Octagon Chartered Accountants
(Registration number: 2005/011532/23)
21 Scott Street
Waverley, Johannesburg
2090, South Africa
(Private Bag X02, Highlands North, 2037)

LEGAL ADVISORS

Andrew de Jongh Inc Attorneys
2nd Floor The Terraces
25 Protea Road
Claremont, Cape Town
7708, South Africa
(PO Box 78143, Sandton, 2146)

PRINCIPAL BANKERS

Standard Bank of South Africa
(Registration number: 1962/000738/06)
30 Baker Street
Rosebank, Johannesburg
2196, South Africa
(PO Box 8786, Johannesburg, 2000)

INDEPENDENT PROPERTY VALUER

Mills Fitchet (Tvl) Proprietary Limited
(Registration number: 2015/063277/07)
No. 5 Joseph Lewis Street
Malanshof, Randburg
2115, South Africa
(PO Box 35345, Northcliff, 2115)

IMPORTANT LEGAL STATEMENTS

Offer to the Public:

1. This Listing Particulars Document is not an invitation to the public in South Africa to subscribe for Securities, but is issued in compliance with the 4AX Listing Requirements for purposes of furnishing information with regards to Heartwood and its Subsidiaries and more specifically, the Listing to Shareholders and the public. This Listing Particulars Document does not constitute, envisage and/or represent an offer to the public in South Africa, as contemplated in terms of the Companies Act, nor does it constitute a prospectus registered in terms of the Companies Act.

Forward-looking statements:

2. This Listing Particulars Document contains statements about the Group that are or may be forward-looking statements. All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: strategy; the economic outlook for the Group; growth prospects and outlook for operations, individually or in the aggregate; and liquidity and capital resources and expenditure. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “budget”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.
3. Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, estimates of capital expenditures, acquisition strategy, future capital expenditure levels, and other economic factors, such as, *inter alia*, interest rates.
4. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Group cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which the Group operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Listing Particulars Document.
5. All these forward-looking statements are based on estimates and assumptions made by the Group, all of which estimates and assumptions, although the Group believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Many factors (including factors not yet known to the Group, or not currently considered Material) could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions.
6. Potential investors should keep in mind that any forward-looking statement made in this Listing Particulars Document or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of the Group not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known.
7. The Group has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Listing Particulars Document after the date of this Listing Particulars Document, except as may be required by law.

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ACTION REQUIRED BY SHAREHOLDERS

1. The definitions and interpretations commencing on page 7 of this Listing Particulars Document apply *mutatis mutandis* to this section on the action required by Shareholders.
2. Please take careful note of the following provisions regarding the action required by Shareholders. It is important for Shareholders to note that after the Listing, Shares in Heartwood can only be traded on 4AX in Dematerialised format.
3. Shareholders should note the following important considerations with regards to their Shares and the Listing in respect thereof:
 - 3.1 Shareholders wishing to trade their Shares after Listing, will have to open a share trading account with a broker (which is an authorised user of 4AX), to ensure that their Shares can trade in electronic form pursuant to the Listing. Upon opening the aforementioned account, Shareholders will also be required to complete the FICA process (including the submission of all documents required under FICA). For the avoidance of doubt, to the extent that Shareholders have not opened broker accounts and/or completed the FICA process pursuant to the Listing, such Shareholders will not be able to trade their Shares.
 - 3.1 In order to implement the Listing in accordance with its terms and for the Shares to be traded on 4AX, Heartwood will, at its cost, undertake the Mass Dematerialisation as detailed below.
4. In terms of the Mass Dematerialisation:
 - 4.1 all Certificated Shares held by Shareholders immediately prior to the Listing will be converted upon the Listing into Dematerialised Format;
 - 4.2 4AX Registry will hold such Dematerialised Shares for and on behalf of each Shareholder who will continue to be the beneficial owner thereof. Shareholders will receive a notification (either by email or SMS) from 4AX Registry immediately after the Listing, which will confirm the number of Shares held by such Shareholders (which Shares will now be in Dematerialised format); and
 - 4.3 Shareholders will be able to register and open an account with the 4AX portal, which account may be used by Shareholders to view (but not trade) their portfolios. Shareholders can access the 4AX portal *via* the following link: **www.4aregistry.net**
5. Notwithstanding the Mass Dematerialisation, Shareholders will be entitled to, pursuant to the Listing, rematerialise their Dematerialised Shares to Certificated Shares in accordance with sections 49(6) and 54 of the Companies Act. Shareholders wishing to do this should contact their brokers in respect hereof.

SALIENT DATES AND TIMES APPLICABLE TO THE LISTING

The definitions and interpretations commencing on page 7 of this Listing Particulars Document apply *mutatis mutandis* to the following salient dates and times applicable to the Listing:

ACTION/EVENT	2018
Formal Notice Announced on the 4AX News Service and on the Company's website on	Monday, 19 March
Listing Particulars Document Announced on the 4AX website and published on the Company's website at the close of business on	Monday, 19 March
Listing of the Shares on the Securities Exchange operated by 4AX expected at the commencement of trade (10:00) and opening of the Register on	Tuesday, 20 March

Notes:

1. The above salient dates and times are subject to amendment. Any amendment will be communicated to Shareholders via the 4AX News Service.
2. All dates and times quoted in the Listing Particulars Document are local dates and times in South Africa, on a 24 hour basis, unless specified otherwise.

DEFINITIONS AND INTERPRETATIONS

In this Listing Particulars Document and annexures hereto, unless the context indicates otherwise, a word or an expression which denotes any gender includes the other genders, a natural Person includes a juristic Person and *vice versa*, the singular includes the plural and *vice versa* and the following words and expressions bear the meanings assigned to them below:

“4AX” or “4 Africa Exchange”	means 4 Africa Exchange Proprietary Limited (Registration Number: 2013/031754/07), a private company duly registered and incorporated in accordance with the company laws of South Africa and licensed as an exchange in terms of the Financial Markets Act;
“4AX Listing Requirements” or “4AXLR”	means the listing requirements of 4AX, as amended from time to time;
“4AX News Service”	means the news service operated by 4AX for the purpose of disseminating information in relation to 4AX and issuers;
“4AX Registry”	means 4 Africa Exchange Registry Proprietary Limited (Registration Number: 2016/396777/07), a private company duly registered and incorporated in accordance with the laws of South Africa and a wholly owned subsidiary of 4AX;
“4AX Registry Services Agreement”	means the 4AX Registry Services Agreement entered into by and between Heartwood and 4AX Registry dated Tuesday, 6 March 2018, it being recorded that the conclusion of the 4AX Registry Services Agreement is a pre-requisite for every Listing on 4AX;
“Announce”	(a) shall include: <ul style="list-style-type: none">i. posting (in English) on the 4AX News Service;ii. posting (in English and any other official language that the Company may elect) on its website, but not before posting on the 4AX News Service;iii. dissemination (in English and any other official language that the Company may elect) by the 4AX Registry to holders of Securities, by electronic or other means, but not before posting on the 4AX News Service; provided that dissemination may include referencing to a section of the Company’s website; andiv. the name and contact details of the Issuer Agent; (b) may include, but not before posting on the 4AX News Service: <ul style="list-style-type: none">i. presenting at a meeting, forum or public event;ii. publication in or by any other media;iii. making available at the Company’s and/or Issuer Agent’s offices;iv. broadcasting on radio, television or the internet; and/orv. any other means as directed or authorised by 4AX; and the terms “ Announced ” or “ Announcement ” shall be construed accordingly; and provided where an announcement is in a language other than English and there is an inconsistency, the English version shall prevail;
“Associate”	means an “ <i>associate</i> ” as contemplated in terms of section 67 of the Financial Markets Act;
“Authorised Share Capital”	means the authorised Share capital of the Company as at the date of Listing, being 400 000 000 (four hundred million) Ordinary Shares each of no par value;
“Beneficial Interest”	means in relation to: <ul style="list-style-type: none">(a) any interest in a Security, means the <i>de facto</i> right or entitlement to directly receive the income payable in respect of that security and/or exercise or cause to be exercised, in the ordinary course of events, any or all of the voting, conversion, redemption, or other rights attaching to that Security;(b) any other interest, means the obtaining of any benefit or advantage, whether in money, in kind, or otherwise, as a result of the holding of that interest; and/or(c) in respect of the interests described in (a) and (b) above, means the <i>de facto</i> right or entitlement to dispose or cause the disposal of the Company’s Securities, or any part of a Distribution in respect of Securities, and the term “ Beneficially Interested ” shall be construed accordingly;
“Board” or “Board of Directors”	means the board of directors of the Company, as constituted from time to time; further detail of which has been included in Annexure 9 ;
“Business Day”	means any day other than a Saturday, Sunday or official public holiday in South Africa and on which day 4AX is open for trading;

“Cent”	means South African cent;
“Certificated Shareholders”	means Shareholders who hold Certificated Shares;
“Certificated Shares”	means Shares that have not been Dematerialised, title to which is evidenced by a Share certificate or other Document of Title;
“CIPC”	means the Companies and Intellectual Property Commission established pursuant to section 185 of the Companies Act;
“Common Monetary Area” or “CMA”	means the geographic region comprising South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
“Companies Act”	means the Companies Act, No 71 of 2008, as amended from time to time;
“Companies Regulations”	means the Companies Regulations 2011, promulgated pursuant to the Companies Act;
“the Company” or “Heartwood”	means Heartwood Properties Limited (Registration Number: 2017/654253/06), a public company duly registered and incorporated in accordance with the company laws of South Africa being the subject of the listing;
“Company Secretary”	means E R Goodman Secretarial Services Proprietary Limited (Registration number 2017/091079/07) a private company duly incorporated in accordance with the Company laws of South Africa; being the Company Secretary of the Company and the Group;
“Confirmed Rental Income”	means rental income which has been contractually committed to, including rental income from automatic renewals;
“Constitution” or “Memorandum of Incorporation” or “MOI”	means the memorandum of incorporation of the Company, as amended from time to time;
“Contracts of Significance”	means a contract involving cash flows in amount or value equal to 10% (ten percent) or more of the aggregate of the Group’s Share Capital and reserves;
“CSDP”	means a Central Securities Depository Participant, accepted as a participant in terms of the Financial Markets Act, with whom a Shareholder holds a Dematerialised Share account;
“Custody Agreement”	means a custody mandate agreement between a Person and a CSDP or Stockbroker, regulating their relationship in respect of Dematerialised Shares held in the Company’s uncertificated Share Register, as administered by a CSDP or Stockbroker on behalf of that Person;
“Day”	means a calendar day (i.e. any day of the week);
“Dealing”	includes any sale or purchase of, or agreement to sell or purchase, any Securities and the grant, acceptance, acquisition, disposal, exercise or discharge of any option or other right or obligation, present or future, conditional or unconditional, to acquire or dispose of Securities, or any interest in Securities and “deal” shall be construed accordingly;
“Dematerialise” or “Dematerialisation”	means the process by which Certificated Shares are converted into an electronic format as Dematerialised Shares and recorded in the Company’s uncertificated Share Register administered by a CSDP;
“Dematerialised Shareholders”	means Shareholders who hold Dematerialised Shares;
“Dematerialised Shares”	means Shares which have been incorporated into the Strate system and which are no longer evidenced by Share certificates or other physical Documents of Title;
“Directors”	means a member of the Board of the Company, as contemplated in terms of section 66 of the Companies Act, or an alternate Director of the Company and includes any Person occupying the position of a Director or an alternate Director, by whatever name designated;
“Distribution”	means a <i>“distribution”</i> as contemplated in terms of the Companies Act;
“Documents of Title”	means Share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to in each case in a form acceptable to the Board;
“EPS”	means earnings per Share;
“Exchange Control Regulations”	means the Exchange Control Regulations, 1961, as amended from time to time, issued in terms of section 9 of the Currency and Exchanges Act, No 9 of 1933, as amended
“Expert”	includes an engineer, valuator, accountant and any other Person whose profession gives authority to a statement made by that Person;
“Fargofor”	means Fargofor Proprietary Limited (Registration number: 2011/132945/07), a private company incorporated under the laws of South Africa;

“Fargofor Acquisition”	means the acquisition by Heartwood of immovable properties and other net assets to the value of R30 456 801, as going concerns, from The Champagne One Holdings Proprietary Limited (Registration Number: 2005/006556/07), Cape Gannet Properties Proprietary Limited (Registration Number: 2006/020548/07), Cornop Properties Proprietary Limited (Registration Number: 1997/016905/07), the trustees for the time being of the Alpha Trust (Master’s Reference Number: IT6061/1995), the trustees for the time being of the Pencil Creek Trust (Master’s Reference Number: IT8212/2002), Geoffrey Baker (ID Number: 600302 5056 084) and Brian Mclintock (ID Number: 551102 5216 087), in exchange for the assumption of certain liabilities and the issue of an aggregate of 51 299 541 (fifty one million two hundred and ninety nine thousand five hundred and forty one) Ordinary Shares in Heartwood in terms of the Fargofor Acquisition Asset for Share Agreement, with effect from 30 January 2018;
“FICA”	means the Financial Intelligence Centre Act, No 38 of 2001, as amended from time to time;
“Financial Markets Act”	means the Financial Markets Act, No 19 of 2012, as amended from time to time;
“Formal Notice”	means the formal notice required to be published under requirement 10.4 of the 4AX Listing Requirements;
“GLA”	means gross lettable area;
“the Group” or “the Heartwood Group”	means Heartwood and all of its Subsidiaries;
“HEPS”	means headline earnings per Share;
“Holding Company”	means a “ <i>holding company</i> ” as contemplated in terms of the Companies Act;
“IFRS”	means the International Financial Reporting Standards as formulated by the International Accounting Standards Board;
“Immediate Family”	Includes a Person’s spouse, partner, child, parent, sibling, grandparent, uncle, aunt, cousin, niece, nephew and any other adult living in the same residence;
“Income Tax Act”	means the Income Tax Act, No 58 of 1962, as amended from time to time;
“Independent Property Valuer”	means the independent property valuer of Heartwood being, Mills Fitchet (Tvl) Proprietary Limited (Registration number: 2015/063277/07); a private company duly incorporated in accordance with the Company laws of South Africa
“International Standards on Auditing” or “ISA”	means the International Standards on Auditing as issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board;
“IRBA”	means the Independent Regulatory Board for Auditors;
“Issued Share Capital”	means the issued Share capital of the Company as at the Listing Date, being 100 000 005 (one Hundred Million and five) Ordinary Shares;
“Issuer Agent” or “External Issuer Agent”	means Pallidus Capital Proprietary Limited, being the Person appointed as an authorised representative by the Company in accordance with requirement 4 of the 4AX Listing Requirements, performing the functions of an Issuer Agent and suitable qualified with the relevant experience;
“Issuer Regulation Committee”	means the Issuer Regulation Committee responsible for listing matters established by the 4AX Board which has the responsibility of ensuring compliance with the Listing Requirements and taking the appropriate actions as may be necessary to manage non-compliance with the Listing Requirements by listed companies and any risks arising as a result of non-compliance;
“King IV” or “King Report”	means the King IV Report on Corporate Governance for South Africa 2016, as amended from time to time;
“Last Practicable Date”	means the last practicable date prior to the finalisation of this Listing Particulars Document, being Wednesday, 14 March 2018;
“Legal Advisor”	means Andrew de Jongh Inc Attorneys, being the Legal Advisor to the Company and the Group;
“Likely Rental Income”	means rental income from expired contracts which will, more likely than not, become Confirmed Rental Income based on amongst others history and other indicative factors;
“Listing”	means admitted to the Official List of 4AX and the term “ Listing ” shall be construed accordingly, it being anticipated that the Listing of the Issued Share Capital of the Company is expected to occur from the commencement of trade on the Listing Date;
“Listing Date”	means the expected date on which the Listing will become effective, being at the commencement of trade on Tuesday, 20 March 2018;

“Listing Particulars” or “Listing Particulars Document”	means this Listing Particulars Document relating to the Company and the Group dated Tuesday, 20 March 2018, which has been prepared in accordance with the 4AX Listing Requirements and approved by them;
“Listing Undertaking”	means the undertaking provided by the Company to 4AX in anticipation of the Listing, which undertaking is in the form set out in Appendix 4 to the 4AX Listing Requirements;
“m²”	means square meters’
“Major Subsidiary”	means a Subsidiary representing 25% (twenty five percent) or more of either the consolidated net assets or pre-tax trading profits of the Group, which Subsidiaries are Velvet Moon and Fargofof;
“Mass Dematerialisation”	means the process in terms of which the Company will at its cost Dematerialise all Shareholders’ holdings in the Company from Certificated Shares to Dematerialised Shares, which process is required to be undertaken in order for the Listing to be implemented and for the Shares to trade on 4AX;
“Material”	means <ul style="list-style-type: none"> 1) in the context of information, information that, if omitted or misstated, could influence the economic decisions of investors. Without limiting the foregoing, a change of 10% (ten percent) or more of either gross revenue, operating expenses, net assets or market capitalisation of the Company or Group shall be deemed to influence the decisions of investors; 2) in any other context, 10% (ten percent) or more of either gross revenue, operating expenses, net assets or market capitalisation of the Company or Group, and the term “Materially” shall be construed accordingly;
“NAV”	means net asset value;
“NAVPS”	means net asset value per Share;
“Official List”	means the List of all Securities admitted for quotation on the main market or official market of 4AX;
“Ordinary Resolution”	means an ordinary resolution as contemplated in terms of section 65(7) the Companies Act, which in terms of the Constitution of the Company must be approved by more than 50% (fifty percent) (i.e. a simple majority) of the voting rights entitled to be exercised;
“Pari Passu”	means in relation to the rights attaching to the Securities of a company, that such rights are identical and rank equal in each and every respect;
“Person”	means a <i>“Person”</i> as contemplated in terms of the Companies Act;
“Rand” or “R”	means South African Rand, being the lawful currency of South Africa;
“Related Party”	shall have the meaning ascribed in IFRS and in relation to any Issuer, shall include any entity or Person who: <ul style="list-style-type: none"> a) Controls or exerts Significant Influence over the Issuer which shall include Directors of the Issuer; or b) the Issuer Controls or exerts Significant Influence over, and, includes the Immediate Family of such Person;
“Reporting Accountants”	means Octagon Chartered Accountants (Registration number: 2005/011532/23), being the Reporting Accountants of the Company;
“Reporting Accountant’s Report”	means the report issued by the Reporting Accountant in accordance with requirement 8.8 of the 4AX Listing Requirements;
“Securities”	means <i>“securities”</i> as contemplated in terms of the Financial Markets Act;
“Shareholders” or “Ordinary Shareholders”	means registered beneficial holders of Shares;
“Shares” or “Ordinary Shares”	means ordinary shares, each of no par value, in the Authorised and Issued Share Capital of the Company;
“Share Register”	means the Share register of the Company which is required to be established by a profit company in terms of section 50(1) of the Companies Act;
“Significant Influence”	has the same meaning ascribed to such term in IFRS. Notwithstanding the definition contained in IFRS, Significant Influence shall exclude control, but shall include the power: <ul style="list-style-type: none"> a) to participate in the financial and operating policies of an entity, and/or b) exercisable by any shareholder holding in excess of 10% (ten percent) of the issued share capital of an Issuer or Subsidiary;

“Special Resolution”	means a special resolution as contemplated in terms of section 65(9) of the Companies Act, which in terms of the Constitution of the Company must be approved by at least 75% (seventy five percent) of the voting rights entitled to be exercised;
“South Africa”	means the Republic of South Africa;
“Strate”	means Strate Proprietary Limited (Registration Number: 1998/022242/07), a private company duly registered and incorporated in accordance with the company laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to 4AX;
“Subsidiary”	means a “ <i>subsidiary</i> ” as contemplated in terms of the Companies Act;
“Velvet Moon”	means Velvet Moon Properties 93 Proprietary Limited (Registration number: 2011/007865/07), a private company incorporated under the laws of South Africa; and
“Velvet Moon Acquisition”	means the acquisition by Heartwood of immovable properties and other net assets to the value of R28 913 716, as going concerns, from Montagu Commercial Developments Proprietary Limited (Registration Number: 2005/013126/07), Cornop Properties Proprietary Limited (Registration Number: 1997/016905/07), the trustees for the time being of the Alpha Trust (Master’s Reference Number: IT6061/1995), the trustees for the time being of the Pencil Creek Trust (Master’s Reference Number: IT8212/2002), Geoffrey Baker (ID Number: 600302 5056 084) and Brian McIntock (ID Number: 551102 5216 087), in exchange for the assumption of certain liabilities and the issue of an aggregate of 48 700 464 (Forty eight million seven hundred thousand four hundred and sixty four) ordinary shares in Heartwood in terms of the Velvet Moon Acquisition Asset for Share Agreement, with effect from 30 January 2018.



heartwood[®]

PROPERTIES

HEARTWOOD PROPERTIES LIMITED

Incorporated in the Republic of South Africa

Registration Number: 2017/654253/06

4AX Share Code: 4AHWP

ISIN: ZAE400000044

("Heartwood" or "the Company")

DIRECTORS

Julian Hilton Scher (Chairman) **

Andrew Geoffrey Utterson **

Martin Radford Evans **

Jakoba Dumas (Financial Director)

Lawrence John Whall (Chief Executive Officer)

non-executive

* *independent*

LISTING PARTICULARS

A. INTRODUCTION

- 1.1 The Company serves as the ultimate holding company of a property development Group, which Group provides access to a pipeline of future development projects, boasting an exciting investment opportunity which will build into an exceptional long-term sustainable portfolio of properties.
- 1.2 Following a decision by the Shareholders of the Major Subsidiaries the Group was created through a merger of the Major Subsidiaries into the Group, effectively contributing property portfolios to the Group.
- 1.3 The Board had a fundamental contribution to the establishment of Heartwood and has the ability to successfully manage a strong, profitable and growing portfolio.
- 1.4 The private portfolio was invested in focussed sectors of office and warehouse development property, all of which were successful investments.

The property portfolio of the Major Subsidiaries achieved substantial organic growth during the past few years by consistently applying quality value-addition principles. By applying these principals and through a combination of organic growth and new acquisitions, the Major Subsidiaries saw their property portfolio grow from an asset base of R52.6 million in February 2014 to R109 million in August 2017.

- 1.5 After the listing, Heartwood will continue to invest across the real estate sectors and provides access to a pipeline of off-market properties and exclusive development opportunities.
- 1.6 Shareholders are referred to the Formal Notice Announced by the Company on the 4AX News Service dated, Tuesday, 20 March 2018, in terms which the Company advised of its intention to List on the Securities Exchange operated by 4AX.

B. CORPORATE RESTRUCTURING

- 1.1 Heartwood was initially incorporated in South Africa and carries on the business of property development and investment. A diagram depicting the Heartwood Group structure appears in **Annexure 1** hereto.
- 1.2 Heartwood has undergone corporate restructuring in anticipation of and to facilitate the Listing which include, *inter alia*:
 - incorporate Heartwood as a public company;
 - adoption of the Memorandum of Incorporation, including amendments to the authorised share capital;
 - converting the personal loan accounts of Velvet Moon shareholders to the value of R18 053 353 million into Velvet Moon shares; and
 - concluding the Velvet Moon and Fargofor Acquisitions, subsequently becoming the ultimate holding company of the Group.

C. GENERAL OVERVIEW OF HEARTWOOD

The Company has defined and focused its strategy predominately in the warehouse development sector in the region of Gauteng, with opportunities in other regions and the office development sector also being pursued.

The strategy is to grow the NAV of the balance sheet through focused warehouse and office developments within the predefined regions.

The Heartwood portfolio is of a high quality, is underpinned by strong tenancies and lease covenants and is situated in South Africa's best location for growth. Considering the success achieved by the Company through its Major Subsidiaries and the management team over the last few years and the significant opportunities available to it to enhance the existing portfolio and to grow through new acquisitions, the Board is of the view that the future prospects of the Company are very encouraging and is confident of delivering sustainable income and capital growth to Shareholders.

1.1 STRATEGY

The Company has focussed its business model to ensure commitment by tenants and relevant servicing. The strategy to support the business model is:

1.1.1 *Target Market*

1.1.1.1 A well-focused target market has been identified in the medium to large owner managed business sector who would like equity participation in the ownership of their business premises. These are growing businesses who use warehouse or office space and are looking to expand. The attraction to the business owner is that they will get equity participation in a property in exchange for signing a long development lease. The attraction to the developer is that the tenant will sign a long lease and provide the necessary credit collateral in addition to creating incentive to honour the lease agreement and to look after the building. The equity participation is subject to no Material breaches of the lease agreement for its duration by the tenant.

1.1.1.2 The second target market involves providing development expertise to landholders who are sitting on prime developable industrial or commercial land. The approach is to form a development joint venture with the land owner on prime land. These joint ventures usually work as follows: The Group will secure the right to develop land subject to rezoning and bulk services. The existing land owner will be responsible for the costs of the rezoning and bulk services, the Group will assist in getting this done, however no capital commitment on the land or the development will take place by the Group until all zoning and bulk services are approved and in place. When all approvals are in place, the original land owner will then become a development partner and the value of the land will become equity in the development at an agreed price, or the land will be purchased at an agreed price. The Group will use its development and marketing skills to roll out the developments to the market. The target market of these developments will depend on the specific market and requirements given the location of the land. However, these developments will always be in established and growing warehouse and office nodes where the Group sees growing future demand. The objective is to design and build quality buildings.

1.1.2 *Building Specifications*

All warehouse buildings are designed to logistics standards with roof height for racking, extensive yard area for super link trucks and docking and loading bays. The warehouse market is expected to expand with the growing online retail sector in South Africa. Distribution warehouses close to transport hubs and dense residential areas will be sought after by online retail tenants and general distributors in the future. This is a growing market.

New office developments are designed with excess parking, internal fibre networks for Wi-Fi, balconies to take advantage of pleasant weather and solar panels on the roof for green energy. The targeted nodes for office developments are all high exposure sites in growing but established areas. Income from solar panels is additional income for the Group and this income growth is in line with annual Eskom tariff increases.

Prime quality warehouse space and well-designed AAA grade office space produced at reasonable prices will prove to be excellent long-term property investments due to their design, location and the fact that they are tenant friendly buildings which will be easy to let should they become vacant. This type of assets is not seen on the market very often and as most investors choose to hold them and not to sell.

1.1.3 *Tenant Partnership*

The rationale is to form a partnership with the tenants, with the Group only making any commitments when all transaction agreements are in place, being a long lease, development finance, tenant sureties, development management agreements, and shareholder agreements when applicable. This ownership model has proven successful in the past and is a key component of the strategy going forward.

1.1.4 *Risk Management*

For the developments that include equity participation with the tenants, these will be done in a separate SPV. All equity is committed via an interest-bearing shareholder loan account. The tenant will sign a long lease with surety and onerous conditions if the lease is breached by the tenant. Including this, all development risks are managed through the process and can be categorized into, financial risk, regulatory risk (this includes land and legal risks), design risk (structural, geotechnical, architectural), delivery risk (construction) and ongoing management.

1.1.5 *Regulatory risk management*

Limited land zoning and bulk service risk is taken, and the Group will relay this risk onto the original land owner. The intention is to never take any land rezoning and bulk service risk. The two main risks with rezoning and bulk services are firstly the time period that is unknown and the availability of supply of services (electricity, water etc.). These risks can and will lead to inflated and unknown costs. The approach of The Group is to only transact on land that is zoned with services in place and to focus on the development of the top structures for the market.

1.1.6 *Asset Management*

The asset and development management capabilities of the Group's management team is one of the differentiators of the business, providing the Group with a significant competitive advantage over its competitors. The fact that management takes a "hands-on" approach and that all development management responsibilities are performed internally ensures that the maximum value and growth is derived from each property. The understanding of the market and the requirements and needs of tenants and property users are a key aspect of the management process. This ensures that the Group develops high quality properties that will always be in demand from tenants. The ability to produce and market high quality assets at a competitive price is a key success factor.

1.1.7 *Executive Capacity*

Executive management is personally involved in the lease negotiations in respect of the Group's portfolio and has an excellent working relationship with tenants currently in occupation across the portfolio. All deal negotiations are done by the executive team and the team has an excellent and strategic relationship with key national property broking companies who understand the Group's development model.

1.1.8 *Marketing Capacity*

The Group also has a very strong marketing ability with access to a substantial database of property users and the ability to market developments through various platforms such as social media, web sites, mail drops and broker networks. This is a major strength which enables the Group to successfully market new developments and to ensure that the existing property portfolio has limited vacancies

1.2 **VALUE PROPOSITION**

The summarised value proposition is as follows:

- 1.2.1 a focussed portfolio within the warehouse and office development sector;
- 1.2.2 internally managed structures which ensures low costs;
- 1.2.3 a leading development executive team with a solid and successful track record;
- 1.2.4 a unique equity proposition to owners, leading to key rental agreement; and
- 1.2.5 a property portfolio underpinned by high quality tenancies and lease covenants.

1.3 **TRACK RECORD**

The Board of Directors have many years of shared experience in the industry and a proven track record of successful property developments. Refer to **Annexure 9** for individual *curriculum vitae* for each Director.

D. HEARTWOOD PROPERTY PORTFOLIO

1.1 General overview of property portfolio by Material sector

1.1.1 *Established office portfolio:*

The Heartwood office portfolio mainly consist of the Willow Wood Office Park, which is being developed and completed in four phases. The first three phases, Block A, B and C have been completed and is fully tenanted.

The Heartwood office portfolio is situated in all of the prime office areas in Gauteng. The office portfolio is multi-tenanted in nature and is classified as "A" grade offices within the South African Property Owners Association (SAPOA) definition of graded office space. The bulk of the Heartwood office portfolio has a very desirable tenant mix. The Heartwood office portfolio continuously enjoys high occupancy levels amidst a tough economic environment.

1.1.2 *Established warehouse portfolio:*

The Heartwood warehouse portfolio (The Media Connection office and warehouse) boasts a well-balanced mix of distribution warehouses industrial units. Located in some of the most sought after and well established industrial nodes in the Lanseria area. The Heartwood warehouse portfolio enjoy extraordinary high occupancies due to sector demand and attractive product offering. All of Heartwood's warehouse assets are excellently located in nodes that have easy access to the Lanseria airport and road access corridors.

Based on recent research Johannesburg's, prime warehousing space in Kayasands, Kempton Park and Lanseria has recorded double digit growth, while asking rentals have maintained peak rates between R75-R80/m². Vacancy rates are remaining low across the city at 5.0%. (*This is an extract from the latest property market research report issues by JLL in September 2017*).

1.1.3 *Future development projects (Secured or in advanced negotiation):*

1.1.3.1 A land agreement has been signed with the current land owners of a distribution park development on a 50/50 joint venture basis within the Mazista and Northriding industrial area. The development site has excellent access and exposure to main roads and highways in the west of Johannesburg and will be a perfect fit to medium sized distribution companies. The current land owner is responsible for bulk services and rezoning approvals.

The land is expected to be ready for development mid-2018, with no cash requirements for the development team until the land is ready for development.

The total developable area is 11 320m², with the strategy to design and build high quality distribution warehouses from 1 500m² each.

1.1.3.2 The Willow Wood Park Block D, totalling 1 490m² will be the last phase of the Willow Wood Office Park development and is in prime position along Cedar Road and has had a zero percent vacancy since inception in 2012.

The design of Willow Wood Park D is flexible to allow for large and small tenants and will use solar power for an added return for the Group.

1.1.4 *Future development prospects (initial negotiations):*

1.1.4.1 Further development opportunities include a Stellenbosch warehouse development situated in a prime position in the Stellenbosch industrial area being one of the last developable sites available. A stand-alone warehouse is envisaged with a target market of online retailers and traditional warehouse clients looking to be closer to the Stellenbosch market.

This development is still in the initial stages of the process.

1.1.4.2 The Mazista Cape Town warehouse joint venture is a purchase and refurbishment of an existing warehouse to be used by the Mazista group as a distribution centre. The warehouse is in a prime location in Cape Town and will have a long lease should the transaction be finalised.

1.1.4.3 A potential Grayston and Bryanston office development is in the pipeline of future development prospects. These developments are within the sought after areas of Sandton and Bryanston and will include differentiating elements to traditional office space.

1.1.4.4 Warehouse development opportunities in Croatia may be pursued. This will be done in connection with the Group's South African development partners who have already completed successful office and retail developments in Croatia.

1.1.5 **Summary of the consolidated Heartwood property portfolio**

The property portfolio of the Group on listing, is summarised as follows:

Number of properties owned directly or indirectly through the Subsidiaries	4
Portfolio at fair value (as per the Independent Property Valuer)	R109 863 737
Portfolio NAV	R59 616 315
Average property yield (gross)	9.5%
Weighted average rental per m ²	R145.87
Gross lettable are (GLA) m ²	6 353 m ²
Vacancy (% of rentable area)	0%
Portfolio value per m ²	R16 746 per m ²
Average portfolio escalations	7.5%
Weighted average lease expiry period	8 years

The portfolio presents stable income over the short, medium and long term, with a number of "value-addition" opportunities that will allow the organic growth and increased income in the portfolio.

1.1.6 An analysis of the existing property portfolio in respect of geographic, sectoral, tenant, vacancy and lease expiry profiles is set out below:

1.1.6.1 **GEOGRAPHICAL PROFILE**

While the existing properties are located in the Gauteng area, Heartwood will also look to acquire assets in KwaZulu-Natal, provided such assets meet management's investment criteria.

1.1.6.2 SECTORAL PROFILE

An analysis of the Heartwood property portfolio, as at 28 February 2018, in respect of sectoral profiles, set out in the table below:

Sectoral profile	GLA by sector	Gross rentals by sector
Warehouse	1 960	R139 429
Office	4 393	R702 869
Total	6 353	R842 299

1.1.6.3 TENANT PROFILE

An analysis of the Heartwood property portfolio, as at 28 February 2018, in respect of tenant profiles, set out in the table below:

Tenant profile	Based on GLA	Number of tenants
A	3 568	2
B	2 785	5
Total	6 353	7

For this table the following key is applicable:

A – Large national and international tenants, large listed tenants, government and major franchises; and

B – National tenants, smaller listed tenants, franchisees and medium to large professional firms.

1.1.6.4 VACANCY PROFILE

An analysis of the Heartwood property portfolio, as at 28 February 2018, in respect of vacancy profiles by sector, set out in the table below:

Sector	Vacancy based on GLA
Warehouse	0%
Office	0%
Total	0%

1.1.6.5 LEASE EXPIRY PROFILE

An analysis of the Heartwood property portfolio, as at 28 February 2018, in respect of the lease expiry profiles, set out in the table below:

Expiry profile	Total		Warehouse		Office	
	GLA %	GR* %	GLA %	GR* %	GLA %	GR* %
2018	15.7%	20.8%	0%	0%	22.7%	24.9%

* GR: Gross Rentals

1.1.6.6 RENTAL ESCALATIONS AND RENTAL PER SQUARE METER

The annualised weighted average rental escalation by sector, as at 28 February 2018, based on existing leases, set out in the table below:

Sector – Escalations	Percentage
Warehouse	8%
Office	7% – 8.5%
Weighted Average	7.8%

E. CAPITAL RAISE

It is the Heartwood Group's intention to, pursuant to the Listing becoming effective, raise capital from South African investors, which capital shall be deployed in the Group's current and future developments.

F. PURPOSE OF THIS LISTING PARTICULARS DOCUMENT

1. The purpose of this Listing Particulars Document is to:
 - 1.1 in accordance with the 4AX Listing Requirements, furnish relevant information to Shareholders and the public with regards to the Heartwood Listing;
 - 1.2 furnish information to Shareholders and the public with regards to the Heartwood Group and its business; and
 - 1.3 set out the salient details of the Listing.

G. RATIONALE FOR THE LISTING

1. The rationale for the Listing includes, *inter alia*, the following:
 - 1.1 enhancing the Heartwood Group's public profile in general;
 - 1.2 enhancing relations with existing stakeholders such as banks, suppliers, distributors and customers;
 - 1.3 improving the quality and integrity of Heartwood investor-information available, so as to allow stakeholders, Shareholders and/or prospective investors to make informed decisions in regards to the Securities of the Company;
 - 1.4 increasing liquidity for Shareholders through a publicly-trading Securities Exchange and/or enabling Shareholders to realise the value of their investments in Heartwood (to the extent that they wish to do so);
 - 1.5 provide quality investors with an opportunity to participate over the long term in the income streams and future capital growth of Heartwood; and
 - 1.6 enhancing the capital raising abilities of the Company and to give the company the ability to use its Securities as acquisition currency, as vendors are more likely to accept Listed Securities.
2. Accordingly, the Board of Directors has therefore resolved to apply for the Listing on 4AX and the purpose of this Listing Particulars Document is to set out the information required in terms of the 4AX Listing Requirements with regards to new listings.

SIGNED AT JOHANNESBURG FOR AND ON BEHALF OF THE BOARD OF DIRECTORS OF HEARTWOOD ON THE LAST PRACTICABLE DATE

By order of the Heartwood Board of Directors

LAWRENCE JOHN WHALL

Chief Executive Officer

SECTION 1: GENERAL INFORMATION REGARDING THE COMPANY, THE COMPANY'S ADVISORS AND THE LISTING PARTICULARS

1.1 Full name, registration number, registered address and website

1.1.1 The registered full name of the Company is:

"Heartwood Properties Limited".

1.1.2 The registration number of the Company is:

"2017/654253/06".

1.1.3 The registered address of the Company is:

Unit 8 Tonquani House
6 Gardner Williams Avenue
Paardevelei, Somerset West
7130

1.1.4 The website of the Company is: www.heartwoodproperties.co.za.

1.2 Tax residency of the Company

The Company is a tax resident of South Africa.

1.3 Details of the principal bankers, External Issuer Agent, Legal Advisors and Reporting Accountant

1.3.1 The principal bankers of the Company are:

Standard Bank of South Africa
(Registration number: 1962/000738/06)
30 Baker Street
Rosebank, Johannesburg
2196

1.3.2 The External Issuer Agent of the Company is:

Pallidus Capital Proprietary Limited
(Registration number: 2015/030782/07)
Suite 3, Southdowns Ridge Office Park
1240 John Vorster Drive
Irene, Centurion, 0123
South Africa
(Suite 19, Private Bag X32, Highveld Park, 0168)

1.3.3 The Legal Advisors of the Company is:

Andrew de Jongh Inc Attorneys
2nd Floor The Terraces
25 Protea Road
Claremont
Cape Town
7708

1.3.4 The Reporting Accountant of the Company is:

PKF Octagon Chartered Accountants
(Registration number: 2005/011532/23)
21 Scott Street
Waverley
Johannesburg
2090

1.4 Date and country of incorporation and the authority under which the Company was incorporated or otherwise established

The Company was incorporated in, Pretoria, South Africa on 12 December 2017.

1.5 Extracts from the Constitution of the Company

Set out in the table below is a summary of the relevant provisions of the Constitution of the Company in relation to, *inter alia*, Directors power and authority, changes to the Authorised and Issued Share Capital and Distributions.

	Provision	Relevant clause of the Constitution
1.5.1.	any powers enabling a Director to vote on a proposal, arrangement, or contract in which he is Materially interest;	No such provision is included in the Constitution of Heartwood.
1.5.2.	any power enabling Directors to vote on the remuneration (including pension or other benefits) to themselves or any member of their body and any other provision as to the remuneration of them;	Clause 29.2 – Directors are precluded from voting on Directors’ remuneration matters as this must be considered by a disinterested quorum.
1.5.3.	borrowing powers exercisable by the Directors and how such borrowing powers can be varied;	Clause 32 – Directors have standard borrowing powers in that the Directors can determine for purposes of the Company and its subsidiaries, the sums to be borrowed and/or repaid.
1.5.4.	retirement or non-retirement of Directors under an age-limited;	Clause 27 – Terms of appointment cannot exceed 3 years, at which point Directors are required to retire and make themselves available for re-election.
1.5.5.	Directors’ qualification shares;	No such provision is included in the Constitution of Heartwood, Directors are not required to hold qualification shares.
1.5.6.	changes in capital;	Clause 6.3 – Any changes to the capital of the Company are subject to the Companies Act, the 4AX Listing Requirements and the further provisions of the Constitution.
1.5.7.	any time limit after which entitlement to a Distribution lapses and an indication of the party in whose favour the lapse operates; and	Clause 36.6 – Distributions which remain unclaimed for a period of 3 (three) years are forfeited for the benefit of the Company. The Directors may however annul any such forfeiture.
1.5.8.	arrangements for transfer of Securities and where permitted, restrictions on the transferability.	Clause 9 – Normal transfer provisions apply. There are no restrictions on the transferability of Heartwood Securities.

An extract of the above provisions of the Constitution is set out in **Annexure 3 hereto**.

1.6 Statements by Experts

The Independent Property Valuers have consented to the inclusion of their report in the form and context in which they appear and have not withdrawn such consents prior to the publication of this Listing Particulars Document.

The Independent Property Valuers do not hold any securities in any part of the Group.

The Independent Property Valuers’ report is set out in **Annexure 8**.

1.7 Details of the Company’s promoter

The Company has not utilised a promoter for the Listing.

1.8 Other recognised securities exchanges

The Company is not in the process of applying for a listing on any other recognised exchanges.

1.9 Details of arrangements where Distributions are waived or agreed to be waived

No arrangements have been entered into by the Company to waive future Distributions.

1.10 Particulars of any commissions, discounts, brokerages, or other special terms in connection with any issue or sale of any capital of any member of the Group

No commissions, discounts, brokerages or other special terms were paid and/or granted within the 2 (two) years immediately preceding the issue of the Listing Particulars Document in connection with the issue or sale of any capital of any member of the Group.

SECTION 2: INFORMATION REGARDING THE SECURITIES FOR WHICH LISTING IS SOUGHT AND THE TERMS AND CONDITIONS OF THEIR ISSUE AND ALLOTMENT

2.1 Statement confirming that application has been made to 4AX for the Listing

The Company has applied for the listing, which application has been approved.

2.2 Statement on whether a prospectus is required

A prospectus is not required as the Company is not making an offer to the public as contemplated in terms of the Companies Act.

2.3 Nature and amount of the issue, including the number of Securities which have been or will be created and/or issued

The Authorised Share Capital comprises 400 000 000 (Four hundred million) Ordinary Shares, and the Issued Share Capital comprising 100 000 005 (One Hundred Million and Five) Ordinary Shares.

2.4 Summary of the salient preferences, rights and limitations attaching to Securities

Only 1 (one) class of Ordinary Shares is in issue. All Shares in issue shall rank *Pari Passu* with each other in all respects, including in respect of voting rights and Distributions.

2.5 Terms and conditions of the issue of the Securities

The Securities already issued will be brought to Listing by means of an introduction, and no further Securities will be issued as part of the Listing.

2.6 Securities to be allotted by way of capitalisation of reserves or profits or by way of a bonus to the holders of existing Securities

No Securities are to be allotted by way of capitalisation of reserves or profits, or by way of a bonus to the holders of an existing Security.

2.7 Securities offered by way of a rights offer

No Securities are to be offered by way of a rights offer as part of the listing.

2.8 Statement of the net tangible asset backing for each class of security

The consolidated net tangible asset value per Ordinary share at 31 August 2017 was 59 Cents.

2.9 Anticipated date upon which the Dealing in the Securities to be listed is to commence

The Dealing in Securities are expected to commence on Tuesday, 20 March 2018, being the listing date.

2.10 Distribution policy relating to the Securities issued

The Group does not have a fixed Distribution policy. The Board considers the current economic and financial circumstances of the Group, and based on these considerations decides whether to declare interim and final dividends.

No distribution will be made in the foreseeable future as this will be used for capitalising the Group.

2.11 Amount or estimated amount of the expenses of the issue and to whom such expenses are payable

The Listing expenses that are expected to be incurred are estimated at R797 000 (excluding VAT) as set out below:

	Rand
Reporting Accountant	35 000
Corporate advisory and External Issuer Agent	600 000
4AX documentation fee	55 000
4AX Listing fee	25 000
4AX non-Registry services	–
Production of Listing Particulars	20 000
Administration and marketing fees	25 000
Professional Fees – Tax Consulting	37 000
Total	797 000

2.12 Statement as to the intended use of the proceeds of any new Securities issued

No new Securities will be issued as part of the Listing.

SECTION 3: INFORMATION REGARDING THE COMPANY'S CAPITAL

3.1 The Authorised and Issued Share Capital, the number of Securities agreed to be issued, details of the amount paid up and/or par value/no par value

3.1.1 The Authorised and Issued Share Capital of the Company:

As at the Last Practicable Date, the Authorised and Issued Share Capital of the Company will be as follows:

AUTHORISED SHARE CAPITAL	R
400 000 000 (Four hundred million) Ordinary Shares with no par value.	400 000 000
ISSUED SHARE CAPITAL	R
100 000 005 (One Hundred Million and Five) Ordinary Shares with no par value.	59 000 003

Note:

As no additional Securities will be issued as part of the Listing, the Authorised and Issued Share Capital of the Company will remain unchanged

3.1.2 The number of Securities agreed to be issued

No further Securities will be issued upon the Listing of the Company.

3.2 Details of intended increase in the Company's capital

It is not intended that the Company's Authorised Share Capital will be increased upon the date of Listing.

3.3 Details of the amount of any outstanding convertible debt Securities and terms relating thereto

There will be no outstanding convertible debt Securities in issue upon the date of Listing.

3.4 Particulars of any alterations in the capital of the Company

The Company has been incorporated with 400 000 000 (Four hundred million) authorised Ordinary Shares and has issued 100 000 005 (One hundred million and five) Ordinary shares pursuant to the Velvet Moon and Fargofor Acquisitions.

Pursuant to, and in order to facilitate the Velvet Moon Acquisition the share capital of Velvet Moon was converted from par value ordinary shares to non-par value ordinary shares and the authorised share capital was increased.

3.5 Particulars of any capital of any member of the Group which is under option, or to be put under option

No capital of any member of the Group is currently under option, and no capital is expected to be agreed conditionally or unconditionally to be put under option upon the date of Listing.

3.6 Details of the number of Securities held in treasury

Upon the Date of Listing, the Company will hold a total of zero Ordinary Shares in treasury.

SECTION 4: GENERAL INFORMATION REGARDING THE GROUP'S ACTIVITIES

4.1 Brief history of and description of the general objectives and nature of the business of the Group

- 4.1.1 Heartwood was initially incorporated in South Africa and carries on the business of property development and investment. A diagram depicting the Heartwood Group structure appears in **Annexure 1** hereto.
- 4.1.2 Heartwood has undergone a corporate restructuring in anticipation of and to facilitate the Listing and details thereof is included in paragraph B page 12.
- 4.1.3 The Company has defined and focused its strategy predominately in the office and warehouse development sector in the region of Gauteng, with supplemental opportunities in other regions also being pursued.
- 4.1.4 The Company's general overview and property portfolio has been included in paragraphs C and D on pages 13 and 14.

4.2 Material proportion of the Group's assets situated outside South Africa

A Material proportion of the Group's assets is not situated outside South Africa.

4.3 If the Company is a member of a Group, a brief description of the Group covering the Company's position within the Group

Heartwood is the ultimate holding company within the Group, and holds a controlling stake in both Velvet Moon and Fargofo for subsequent to the Velvet Moon and Fargofo Acquisitions.

4.4 Particulars of any trademarks, patents or other intellectual or industrial property rights which are Material in relation to the Group's business

Due to the nature of the Group's business, the Group does not have any trademarks, patents or other intellectual property rights which are Material in relation to the Group's business.

4.5 Policy of the Group on the research and development of new products and processes

Due to the nature of the Group's business, the research and development of new products and processes are not significant to the Group's business.

4.6 Particulars of any interruptions in the business of the Group which may have had a significant effect on the financial position of the Group

No interruptions in the business of the Group occurred during the financial year ending February 2017 and subsequently up until Listing Date.

4.7 Employment details of the Group

The average number of people employed by the Group during the financial year ended 28 February 2017 was 2 (two) employees. Outsourced fully qualified professionals with proven track records are used for development projects in conjunction with detailed management involvement.

4.8 Particulars of the most significant investments of the Group

The most significant subsidiaries of the Company, with an indication of their main objectives and financial results for the financial year ended 28 February 2017 and 6 months interim period ending 31 August 2017, are as follows:

4.8.1. Velvet Moon

Velvet Moon was incorporated in South Africa and carries on the business of property development and investment.

	31 August 2017	28 February 2017
Revenue	882 897	1 678 595
After Tax Profit	823 163	7 078 931

Velvet Moon related-party transactions consist of the remaining shareholder loan accounts and interest thereon. These loan accounts will be paid back subsequent to listing and pursuant to any capital raising event.

4.8.2. Fargofo

Fargofo was incorporated in South Africa and carries on the business of holding investment property.

	31 August 2017	28 February 2017
Revenue	2 701 470	5 778 254
After Tax Profit	1 708 729	16 900 878

Fargofo related-party transactions consist of inter Group loan accounts and interest thereon.

4.8.3. The detailed financial information of the Groups subsidiaries are included in section 5 of this Listing Particulars.

4.9 **Capital held or intended to be held by the Company**

As at the Last Practicable Date, the following companies' capital were owned by Heartwood:

Investments in Subsidiaries	Shares	Interest	Nature of business
Velvet Moon		100%	Property development and investment
Fargofoor		100%	Property development and investment

Note:

All of the Subsidiaries detailed above are South African incorporated companies.

4.10 **Particulars of the size, location and tenure of the Group's principal establishments**

The Group does not have any principal establishments being immovable properties owned by the Group contributing 10% (ten percent) or more of the net turnover or production.

4.11 **In the case of an introduction, a statement that no change in the nature of the business is in contemplation**

No change in the nature of the business is in contemplation. Heartwood envisages that its main business will continue to be that of property development.

4.12 **Particulars of any restriction affecting Distributions to or from South Africa**

No restriction is imposed by the Company's Constitution affecting Distributions to or from South Africa.

SECTION 5: INFORMATION ABOUT THE FINANCIAL POSITION OF THE GROUP AND ITS PROSPECTS

5.1 Reporting Accountant's Report

- 5.1.1 The historical financial statements of Heartwood's Major Subsidiaries for the preceding three financial years (being 28 February 2017, 28 February 2016 and 28 February 2015) have been audited by the Reporting Accountants of the Heartwood Group.
- 5.1.2 The Reporting Accountant has issued an unqualified audit report in respect of each of these financial years, stating that the financial statements comply with IFRS and the Companies Act.
- 5.1.3 The aforementioned audit reports together with the full audited annual financial statements are available on the Heartwood website at www.heartwoodproperties.co.za.
- 5.1.4 The Reporting Accountant is not an Associate of any Director or of any Shareholders of the Company holding more than 5% (five percent) of the number of Ordinary Shares issued by the Company.
- 5.1.5 Abridged historical financial information has been extracted from the audited financial statements for the financial years ended 28 February 2017, 28 February 2016 and 28 February 2015 for Velvet Moon and Fargofer:
- 5.1.5.1 Velvet Moon abridged historical financial information:

STATEMENT OF FINANCIAL POSITION

as at 28 February

	2017	2016	2015
Assets			
Non-current assets	24 794 631	16 963 014	17 128 403
Investment property	24 505 761	16 491 744	16 474 733
Property, plant and equipment	288 800	471 200	653 600
Investments in subsidiaries	70	70	70
Current assets	17 278 320	16 155 604	13 341 248
Other financial assets	6 256 331	15 512 824	9 317 340
Trade and other receivables	106 796	109 202	1 457 409
Current tax receivables	454 027	424 138	–
Cash and cash equivalents	10 461 166	109 440	2 566 499
Total assets	42 072 951	33 118 618	30 469 651
Equity and liabilities			
Equity	9 277 076	2 198 146	2 347 895
Share capital	1 000	1 000	1 000
Retained income	9 276 076	2 197 146	2 346 895
Non-current liabilities	11 437 747	7 497 193	6 703 505
Other financial liabilities	9 236 084	7 317 705	6 473 976
Deferred tax	2 201 663	179 488	229 529
Current liabilities	21 358 128	23 423 279	21 418 251
Other financial liabilities	–	1 668 438	540 000
Loans from shareholders	19 968 756	19 968 756	18 158 959
Trade and other payables	1 389 372	1 786 085	2 663 809
Current tax payable	–	–	55 483
Total equity and liabilities	42 072 951	33 118 618	30 469 651

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February

	2017	2016	2015
Revenue	1 678 595	1 538 415	8 484 600
Cost of Sales	–	(275 297)	(6 629 800)
Gross profit	1 678 595	1 263 118	1 854 800
Other income	643 466	603 610	2 586 374
Operating expenses	(1 285 051)	(1 038 029)	(1 569 988)
Operating profit	1 037 010	828 699	2 871 186
Investment revenue	1 614 910	1 632 218	982 916
Fair value adjustments	7 762 722	–	–
Finance cost	(1 186 560)	(2 668 090)	(2 607 381)
Profit/(loss) before taxation	9 228 082	(207 173)	1 246 721
Taxation	(2 149 151)	57 424	(376 152)
Profit/(loss) for the year	7 078 931	(149 749)	870 569

	2017	2016	2015
	Cents	Cents	Cents
Basic EPS	707 893	(14 974)	87 056
Diluted EPS	707 893	(14 974)	87 056
Distributions per Share	0	0	0
NAV per Share	927 707	219 815	234 790
Diluted NAV per Share	927 707	219 815	234 790

5.1.5.2 Fargo for abridged historical financial information:

STATEMENT OF FINANCIAL POSITION

as at 28 February

	2017	2016	2015
Assets			
Non-current assets	60 064 069	39 974 643	40 609 195
Investment property	56 900 000	36 176 022	36 176 022
Property, plant and equipment	3 164 069	3 798 621	4 433 173
Current assets	294 739	150 147	875 950
Loans to shareholders	88 943	–	–
Trade and other receivables	194 227	69 709	707 398
Cash and cash equivalents	11 569	80 438	168 552
Total assets	60 358 808	40 124 790	41 485 145
Equity and liabilities			
Equity	28 748 072	1 108 176	884 107
Share capital	10 739 618	600	600
Retained income	18 008 454	1 107 576	883 507
Non-current liabilities	27 872 967	26 040 911	28 944 792
Other financial liabilities	22 458 309	25 586 952	28 600 516
Deferred tax	5 414 658	453 959	344 276
Current liabilities	3 737 769	12 975 703	11 656 246
Other financial liabilities	3 619 695	12 834 134	11 181 149
Trade and other payables	118 074	141 569	475 097
Total equity and liabilities	60 358 808	40 124 790	41 485 145

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February

	2017	2016	2015
Revenue	5 778 254	5 088 893	5 291 233
Other income	1 330 943	1 206 760	1 362 894
Operating expenses	(2 408 472)	(2 333 695)	(2 419 996)
Operating profit	4 700 725	3 961 958	4 234 131
Investment revenue	15 754	22 797	35 167
Fair value adjustments	20 723 978	–	–
Finance cost	(3 578 880)	(3 651 003)	(3 725 000)
Profit/(loss) before taxation	21 861 577	333 752	544 298
Taxation	(4 960 699)	(109 683)	(152 403)
Profit/(loss) for the year	16 900 878	224 069	391 895
	2017	2016	2015
	Cents	Cents	Cents
Basic EPS	2 112 610	37 345	65 316
Diluted EPS	2 112 610	37 345	65 316
Distributions per Share	0	0	0
NAV per Share	3 593 509	184 696	147 351
Diluted NAV per Share	3 593 509	184 696	147 351

5.2 Interim financial statement where more than 9 (nine) months have elapsed since the end of the financial year-end to which the last audited financial statements relate

5.2.1 More than 9 (nine) months have elapsed since the end of the 28 February 2017 financial year, thus interim financial statements for the period to 31 August 2017 have been prepared for all Major Subsidiaries, which interim reports are made available for inspection as noted in paragraph 7.2. These interim financial statements have been prepared in accordance with IFRS, but are unaudited.

5.2.2 The Company's Directors have also prepared consolidated *pro forma* financial statements for the Company ending 31 August 2017, annexed to this Listing Particular Document as **Annexure 4**. For completeness purposes refer to the Reporting Accountant sign off on these consolidated *pro forma* financial statements, which report is annexed to this Listing Particular Document as **Annexure 5**.

5.2.3 The Company's Directors are of the opinion that the summarised historical financials included in paragraph 5.1.5 and the *pro forma* financial statements included in **Annexure 4** (including the Reporting Accountant's Report thereon in **Annexure 5**) provide sufficient and appropriate information to investors to make an informed assessment of the results and activities of the Group for the period.

5.3 Unqualified Accountant's report

The Reporting Accountant's report included in the financial statements of the Major Subsidiaries, which are available for inspection as noted in paragraph 5.1.2, are not qualified.

5.4 Consolidated basis statements

5.4.1 The Group has zero issued and outstanding debt Securities;

5.4.2 The total amounts of all other borrowings or indebtedness in the nature of borrowings of the Group at 31 January 2018 were as follows:

Shareholders Loans: R2 967 182

Shareholder loans are unsecured, bear interest at the prime overdraft rate as determined from time to time and are repayable on demand.

5.4.3 The total amount of mortgages and charges at 31 January 2018 are as follows:

a. Willow Wood Block A Facility

Lender: Standard Bank

Balance: R25 010 069

Security: First Mortgage bond over property

Terms: Loan bears interest at prime less 0.75% (currently 9.5%) per annum. Fixed capital repayments as per schedule contained in loan agreement.

b. Willow Wood Block B Facility (estimated completion date May 2018)

Lender: Standard Bank

Balance: R10 588 137

Security: Mortgage bond over property

Terms: Until completion date and when development is 100% let – interest at prime rate (currently 10.25%) with a clause for interest capitalisation. Thereafter prime less 0.75%. Fixed capital repayments as per schedule contained in loan agreement.

c. Willow Wood Block C Facility

Lender: Standard Bank

Balance: R8 983 816

Security: Mortgage bond over property

Terms: Loan bears interest at prime less 0.75% (currently 9.5%) per annum. Fixed capital repayments as per schedule contained in loan agreement.

d. Lanseria Erf 661 Facility

Lender: Nedbank

Balance: R8 520 219

Security: Mortgage bond over property

Terms: Loan bears interest at prime less 0.25% (currently 10%) per annum. Loan repayable in equal instalments of R131 107 per month.

5.4.4 The total amount of any contingent liabilities or guarantees of the Group as at 31 January 2018 are as follows:

New developments which were included in the forecast financial information as part of the ordinary course of business:

1. Warehouse property in Lanseria expected to be completed by September 2018 with a total project cost of approximately R16.5million. A term loan of R10 150 000 has been negotiated with Nedbank, with repayments to start in September 2018. During the construction period the loan will bear interest at the prime rate (currently 10.25%) with a clause allowing for interest capitalisation. From completion date the loan bears interest at the prime lending rate less 0.25%. Repayment terms over 120 months, with a residual value of not more than R2 600 000.
2. Willow Wood Block D expected to be completed by March 2019. The company is in the process of negotiating a term loan equal to the estimated projected development cost of R23.4m from Standard Bank with repayments scheduled to start in March 2019.

5.5 Statements on the trend of the Group's business and as to the financial and trading position of the Group

The company will continue their focus on tenant specific developments in the commercial and warehouse property sectors.

5.6 If a profit forecast is included – the principle and commercial assumptions upon which it is based

5.6.1 Due to the listing being a new venture listing, a profit forecast has been included in this Listing Particulars Documents in **Annexure 6**, along with the principle and commercial assumptions.

5.6.2 The Reporting Accountant has examined and reported on the accuracy of the calculations and accounting policies of the profit forecast. Refer to **Annexure 7** for the Reporting Accountant report on the profit forecast.

5.7 Working capital statement by the Directors

The Board believes that the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 (twelve) months from the date of issue of this Listing Particulars Document.

5.8 Statement by the Directors regarding any Material adverse change in the financial or trading position of the Group

No Material adverse changes have occurred in the financial or trading position of the Group since the interim financial statements for the year ended 31 August 2017.

5.9 In the case of a Property Company, a valuation report on the Issuer's interests in Properties, prepared by an Independent Registered Valuer, which report is:

5.9.1 in accordance and conformity with IFRS; and

The Independent Property Valuer report is included as **Annexure 8** to this Listing Particular Document, which report is in accordance and conforms with IFRS.

5.9.2 on the basis of the value of such interests as at a date which shall not be more than three months before the date of issue of the Listing Particulars Document

The Independent Property Valuer report has been concluded on 31 August 2017, which is more than three months before the date of issue of the Listing Particulars.

However due to the size of the Company it would not have been practical to perform another valuation on the properties for only the short amount of time to meet this requirement.

In conclusion, the Board is of the opinion that there would have been no Material change in the value of the properties covering this short period.

5.10 **Litigation statement**

The Group is not involved in any current, pending or threatened legal or arbitration proceedings which may have or have had in the recent past (covering at least the previous 12 months) a significant effect on the Group's financial position.

5.11 **Details at a Company and on a consolidated level for each of the last three financial years for EPS, fully diluted EPS, Distributions per Share, NAV per Share, fully diluted NAV per Share**

The disclosure required on a company level (for each Major Subsidiary) has been disclosed in paragraph 5.1.5

With Heartwood listing by way of introduction, the required three year historical disclosure is not available, however the disclosure has been made for 31 August 2017 based on the *pro forma* financial information:

	2017
	Cents
Basic EPS (6 months ended 31 August 2017)	2,7
Diluted EPS (6 months ended 31 August 2017)	2,7
Distributions per Share	0
NAV per Share	59
Diluted NAV per Share	59

SECTION 6: INFORMATION ABOUT THE COMPANY'S MANAGEMENT

6.1 Director details (including details of any proposed Director)

Set out in the table below is the full names, age, nationality, business address, designation, qualification and occupation of each of the Directors of the Company. A summary curriculum vitae of each Director has been included in **Annexure 9** hereto;

JULIAN HILTON SCHER (55)

Nationality:	South African
Business address:	2nd Floor, Four on Anslow Office Park 4 Anslow Lane, Bryanston
Designation:	Chairman
Qualifications:	B.Comm. LLB
Occupation:	Attorney

ANDREW GEOFFRY UTTERSON (47)

Nationality:	South African
Business address:	217 Val de Vie Estate, Paarl, 7646
Designation:	Independent Non-Executive Director
Occupation:	Businessman
Positions held on statutory committees:	Member of Audit Committee, Social and Ethics Committee and Investment Approval Committee

MARTIN RADFORD EVANS (60)

Nationality:	South African
Business address:	Block A Unit 5, Coachmans Crossing Office Park, 4 Brian Street, Bryanston, 2060
Designation:	Non-Executive Director
Qualifications:	BSc. Town and Regional Planning, MBA
Occupation:	Businessman
Positions held on statutory committees:	Member of Audit Committee, Social and Ethics Committee and Investment Approval Committee

LAWRENCE JOHN WHALL (49)

Nationality:	South African
Business address:	Unit 8 Tonquani House, 6 Gardner Williams Avenue, Paardevlei, Somerset West, 7130
Designation:	Chief Executive Officer
Qualifications:	BSc (Civil) Eng, CA (SA)
Occupation:	Businessman
Positions held on statutory committees:	Member of Social and Ethics Committee and Investment Approval Committee

JAKOBA DUMAS (38)

Nationality:	South African
Business address:	Unit 8 Tonquani House, 6 Gardner Williams Avenue, Paardevlei, Somerset West, 7130
Designation:	Chief Financial Officer
Qualifications:	CA (SA)
Occupation:	Businesswoman
Positions held on statutory committees:	Member of Social and Ethics Committee and Investment Approval Committee

6.2 External Issuer Agent details

Set out in the table below is the salient information regarding the Company's External Issuer Agent, being Pallidus Capital. It is hereby recorded that, Pallidus Capital will continue to act as the External Issuer Agent to the Company pursuant to the Listing.

PALLIDUS CAPITAL PROPRIETARY LIMITED

Country of incorporation:	South Africa
Business address:	Suite 3, Southdowns Ridge Office Park, 1240 John Vorster Drive, Irene, Centurion, 0123
Designation:	Corporate and transaction advisor in respect of the Listing and External Issuer Agent
Represented by:	Johan Fourie, Le Roux van Zyl and JD Symington
Representatives' qualifications:	BA LLB (<i>cum laude</i>), BA LLB and CA(SA)

6.3 Company Secretary details

Set out in the table below is the salient information regarding the Company Secretary:

Name:	ER Goodman Secretarial Services Proprietary Limited
Represented by:	Marilis Janse van Rensburg (40), Yolandi Zweel (38)
Business address:	1st Floor Voltex House, 3 River Road, Cnr Boeing West, Bedfordview, 2008
Capacity	Company Secretary

6.4 If different from the registered office of the Company, the address of the premises at which the statutory records of the Company are kept

The registered office of the Company and the address of the premises at which the statutory records of the Company are kept is:

Unit 8 Tonquani House,
6 Gardner Williams Avenue,
Paardevelei,
Somerset West
7130, South Africa

6.5 Directors' Beneficial Interest in the Securities of the Company

AS at the Last Practicable Date, the following Directors of Heartwood held the following direct and indirect Beneficial Interests in the Securities of the Company:

Heartwood Director	Number of Heartwood Shares held	Percentage of Heartwood's Share Capital
Lawrence John Whall (<i>through Montagu Commercial Developments Proprietary Limited and Cape Gannet Properties Proprietary Limited</i>)	40 230 329	40.23%
Martin Radford Evans (<i>through The Pencil Creek Trust</i>)	5 987 015	5.99%
Andrew Geoffrey Utterson (<i>through Champagne One Holdings</i>)	25 649 769	25.65%
Total	71 867 113	71.87%

Note:

The Directors' Beneficial Interest as detailed in the table above are all held indirectly through their associates as mentioned above.

6.6 **Details of any Person (other than a Director of the Company) who is beneficially interested in 5% (five percent) or more of the Securities of the Company**

As at the Last Practicable Date, the following Persons (other than Directors of the Company) held Beneficial Interests of 5% (five percent) or more in the Securities of the Company:

Shareholder holding a Beneficial Interest of 5% or more	Number of Heartwood Shares held	Percentage of Heartwood's Issued Share Capital
Montagu Commercial Developments Proprietary Limited	27 405 444	27.41%
Champagne One Holdings Proprietary Limited	25 649 769	25.65%
Cornop Properties Proprietary Limited	18 630 319	18.63%
Cape Gannet Properties Proprietary Limited	12 824 885	12.82%
Alpha Trust	5 987 015	5.99%
Pencil Creek Trust	5 987 015	5.99%
Total	96 484 447	96.49%

The above shareholders and all of their Related Parties and their Immediate Families will not dispose of their shares in the Company within a period of 1 year from the date of Listing.

6.7 **Directors emoluments receivable from a member of the Group in respect of the last completed financial year**

The aggregate remuneration paid and benefits in kind granted to the Directors of the Company by any member of more than 1% (one percent) the Group in respect of the last completed financial year, being the financial year ended 28 February 2017, was as follows:

Heartwood Directors	Aggregate remuneration
	No remuneration paid
Velvet Moon Directors	Aggregate remuneration
	No remuneration paid
Fargofor Directors	Aggregate remuneration
	No remuneration paid

6.8 **Directors' emoluments receivable from a member of the Group in respect of the current financial year**

The estimate of the aggregate remuneration payable to, and benefits in kind receivable by, the Directors of the Company from any member of the Group in respect of the current financial year ending 28 February 2018 under the arrangements/authorities in force at the date of the Listing Particulars Document is:

	Estimated remuneration
Heartwood Directors	
Julian Hilton Scher (<i>Chairperson</i>)**	R80 000
Martin Radford Evans**	R60 000
Andrew Geoffrey Utterson**	R60 000
Lawrence John Whall (<i>Chief Executive Officer</i>)	R510 000
Jakoba Dumas (<i>Financial Director</i>)	R160 000
Total	R870 000

* *Non-executive*

Independent

Velvet Moon Directors	Estimated remuneration
No remuneration payable	
Fargofor Directors	Estimated remuneration
No remuneration payable	

6.9 **Details of any contract or arrangement subsisting at the date of the Listing Particulars Document, in terms of which a Director of the Company is materially Beneficially Interested and which is Material to the business of the Group**

At the date of the Listing Particulars Document no Director of the Company is materially interested in any contract or arrangement which is Material to the business of the Group.

6.10 **Details of any outstanding loans by any member of the Group to a Director, including details of any guarantees provided by any member of the Group**

At the date of the Listing Particulars Document there are no loans outstanding by members of the Group payable to the Directors, and no guarantees provided by any member of the Group for a Director's benefit.

6.11 **Details of any incentive schemes**

The Company, in anticipation of the Listing, adopted the Heartwood Share Incentive Scheme.

6.12 **Particulars of any arrangement under which a Director of the Company has waived or agreed to waive future emoluments**

As at the date of the Listing Particulars Document, there are no arrangements under which a Director of the Company has waived or agreed to waive future emoluments receivable from any member of the Group.

6.13 **CORPORATE GOVERNANCE:**

Compliance or non-compliance with the King Code:

6.13.1 **Particulars of the Company's policy for the appointment of Directors**

The Company's policy is to attract individuals with the necessary qualifications and industry experience. The process for appointing Directors is a formal, transparent process and is considered as a matter for the Board as a whole. There is a clear division of powers at Board level to ensure that no one individual has unfettered powers of decision-making. The Company currently does not have a nomination committee but will consider constituting one in the future .

6.13.2 **Particulars of the Company's policy for Directors' remuneration**

Directors' remunerations are based on market-related strategies, taking into account the attraction and retention of highly qualified staff while incorporating the expectations of all relevant stakeholders. Non-executive Directors' remunerations are reviewed and approved by Shareholders annually in accordance with section 66(9) of the Companies Act.

6.13.3 **Details of the Company's Chief Executive Officer who may also not be chairperson of the Board**

Lawrence John Whall will be the active Chief Executive Officer of the Company. The Chairperson is Julian Scher.

6.13.4 **Details of the Company's Company Secretary**

E R Goodman Secretarial Services (Pty) Ltd
2017/091079/07
+27 (0) 11 615-1881/4478

6.13.5 **Details of the Company's sub-committees, including audit committee and social and ethics committee**

Audit Committee:

The audit committee comprises three independent non-executive directors – Julian Scher, Andrew Utterson and Martin Evans

Social and Ethics Committee:

The social and ethics committee comprises three independent non-executive directors (Julian Scher, Andrew Utterson and Martin Evans) and two executive directors (John Whall and Jakoba Dumas)

Investment Approval Committee:

The investment approval committee comprises three independent non-executive directors (Julian Scher, Andrew Utterson and Martin Evans) and two executive directors (John Whall and Jakoba Dumas).

6.13.6 **Reasons for non-compliance and plans, if any, to achieve compliance with the King Code**

Non-compliance in terms of the King Code are due to Heartwood's size of operations and the costs associated with controls and measures to comply. Heartwood and its Board are committed to ensure reasonable steps are taken to comply with the King Code as far as possible.

SECTION 7: CONTRACTS OF SIGNIFICANCE AND DOCUMENTS AVAILABLE FOR INSPECTION

7.1 Details of the dates of conclusion of and all the parties to all Contracts of Significance, other than contracts which have been entered into by the Company in the ordinary course of business

The Directors of the Company are not aware, having made due and careful enquiry, of any contracts involving cash flows amounting to or valued equal to 10% (ten percent) or more of the aggregate of the Group's share capital and reserves.

7.2 Details of where and when documents may be inspected

The following documents, or copies thereof, will be available for inspection by Shareholders of Heartwood at any time during normal business hours at Heartwood's registered office and the offices of the External Issuer Agent (details of which appear in the Corporate Information and Professional advisors section of the Listing Particulars Document), from the issue date of this Listing Particulars Document until Thursday, 29 March 2018 (both days inclusive):

- 7.2.1 the Company's Constitution, including the Constitutions of the Major Subsidiaries;
- 7.2.2 the service agreements with Directors and the Company Secretary;
- 7.2.3 the property valuation reports;
- 7.2.4 the written consents of the Experts (being the External Issuer Agent, Reporting Accountant, and the Independent Property Valuer);
- 7.2.5 the audited annual financial statements of the Major Subsidiaries of the Company for the three financial years ended 28 February 2017, 28 February 2016 and 28 February 2015; and
- 7.2.6 the interim financial statements referred to in paragraph 5.2

7.3 Documents available for inspection to be in English

All documents available for inspection are in English.

SECTION 8: PROPERTY COMPANY SPECIFIC LISTING REQUIREMENTS

- 8.1 **If a Property Entity is not able to fully satisfy conditions set out in Requirements 6.12.1 (audited accounts for 3 years), Requirement 6.13 (nature and durations of business activities) and Requirement 6.14 (continuity of management), it must satisfy that its directors have sufficient and satisfactory experience in the management of Property investments**

The Board has more than 80 years of combined property development and management experience and have served on numerous boards of property companies, including Group Five and Tower Property Fund. Refer **Annexure 9** for detailed biographies.

- 8.2 **If the Property Entity is not able to fully satisfy the conditions for listing relating to audited accounts set out in Requirement 6.12.1, 4AX may in its sole discretion accept audited accounts relating to a period shorter than 3 years, if 4AX is satisfied that investors have the necessary information available to them to arrive at an informed decision on the Applicant Issuer and its Securities for which a Listing is sought (for example in the case of a newly formed “project company”).**

In this regard, 4AX may require such Applicant to submit a formal business plan incorporating a profit forecast which has been signed-off by a Reporting Accountant.

Please refer to the profit forecast included in the Listing Particulars Document in **Annexure 6**, which profit forecast has been signed off by the Reporting Accountant, refer to **Annexure 7** for the Reporting Accountant sign off.

This profit forecast covers a period of more than 2 (two) years following the listing date, however it is not the Group’s primary business model to manage property and derive rental income thereof. The Group’s business model is much rather focussed on property development.

- 8.3 **Distributable income of the Property Entity and its Subsidiaries must be primarily derived from Rental Income and the Property Entity and any of its Subsidiaries must not conduct any trading activity which is significant in the context of the Group as a whole**

The Company does not conduct any trading activity which is significant in the context of the Group. The Group is primarily focussed on property development, more specifically warehouse and office space. The Group’s business model is not property management and thus Rental Income will not be the primary source of income to the Group.

- 8.4 **If a Property Entity’s policy is principally to invest in other entities which invests in Properties, it must satisfy 4AX that at all times the Directors of the Property Entity will control the policy of that other entity so as to comply with the relevant requirements set out in this Chapter**

Heartwood’s main business and policy will be the development of property within the warehouse and office sector. This will not entail Material investments in other entities which invest in Properties.

- 8.5 **In addition to Requirement 6.19, each Director and proposed Director of the Management Company must make a declaration and undertaking in the form set out in Appendix 6 and submit it to 4AX in accordance with the provisions of Requirement 7.10.15**

The relevant directors declarations have been provided to 4AX.

- 8.6 **Upon Listing, a Property Entity must have a net asset value of no less than R50,000,000 (fifty million Rand).**

Heartwood had a net asset value of R59 370 516 on 31 August 2017, which is the last date on which financial statements and property valuation reports were prepared. From this date, until listing no Material fair value adjustment would have occurred that significantly increased or decreased this value.

8.7 **In addition to the information required by Requirement 17.7, Listing Particulars for Investment Companies must include:**

8.7.1 **A Property Entity Investor Report;**

Due to the Company operations focussing on property development and not property investing, this report is not applicable.

8.7.2 **A Property Specific Report;**

This Property Specific Report has been prepared as at 31 August 2017

Property	Willow Wood A	Willow Wood B	Willow Wood C	Willow Wood D	Erf 661 Lanseria
Location	Fourways	Fourways	Fourways	Fourways	Lanseria
Acquisition date*	Feb 2014	Feb 2014	Feb 2014	Feb 2014	Oct 2014
Acquisition price	R36 176 022	R2 464 145	R10 537 278	R3 473 310	R3 036 000
Inspection date	July 2017	N/A	July 2017	N/A	July 2017
Market Value	R58 500 000	R10 690 427	R20 000 000	R3 473 310	R17 200 000
Date of valuation					
Valuation methodology	Included in the valuation reports. Refer to Annexure 8 . Note – Willow Wood B and D were not revalued and are shown at cost.				
Name, registration number and any restrictions of the valuer.					
Is the valuer independent or not?	Yes	N/A	Yes	N/A	Yes
Sector classification	Commercial	Commercial	Commercial	Commercial	Warehouse
Lettable area	2570	825	998	0	1960
Vacancy rate	0%	0%	0%	0%	0%
Average rental rate per square meter	R159.49	R142.68	R175.61	R0	R71.14
<i>Other Material information:</i>					
Assumptions used					
Town planning restrictions and/or conditions					
Statutory or regulatory contraventions					
Use of buildings	Included in the valuation reports. Refer to Annexure 8 . Note – Willow Wood B and D were not revalued and are shown at cost.				
Age of Buildings					
Options over buildings					
Source of information used					
Method of valuation					
Any qualifications in respect of the valuation					

* Note that all property has been acquired by the Company on 30 January 2017 by way of a section 42 asset for share transaction. Shareholders of each Major Subsidiary transferred their shareholding in the Major Subsidiary for shares in Heartwood. The date provided above indicates the date acquired by the Major Subsidiaries.

8.7.3 **Manager Information;**

Not applicable no manager has been appointed due to the size of the Company.

8.7.4 **Its Distribution Policy;**

The Group does not have a fixed Distribution policy. The Board considers the current economic and financial circumstances of the Group, and based on these considerations decides whether to declare interim and final dividends.

8.7.5 **The Valuation Coverage; and**

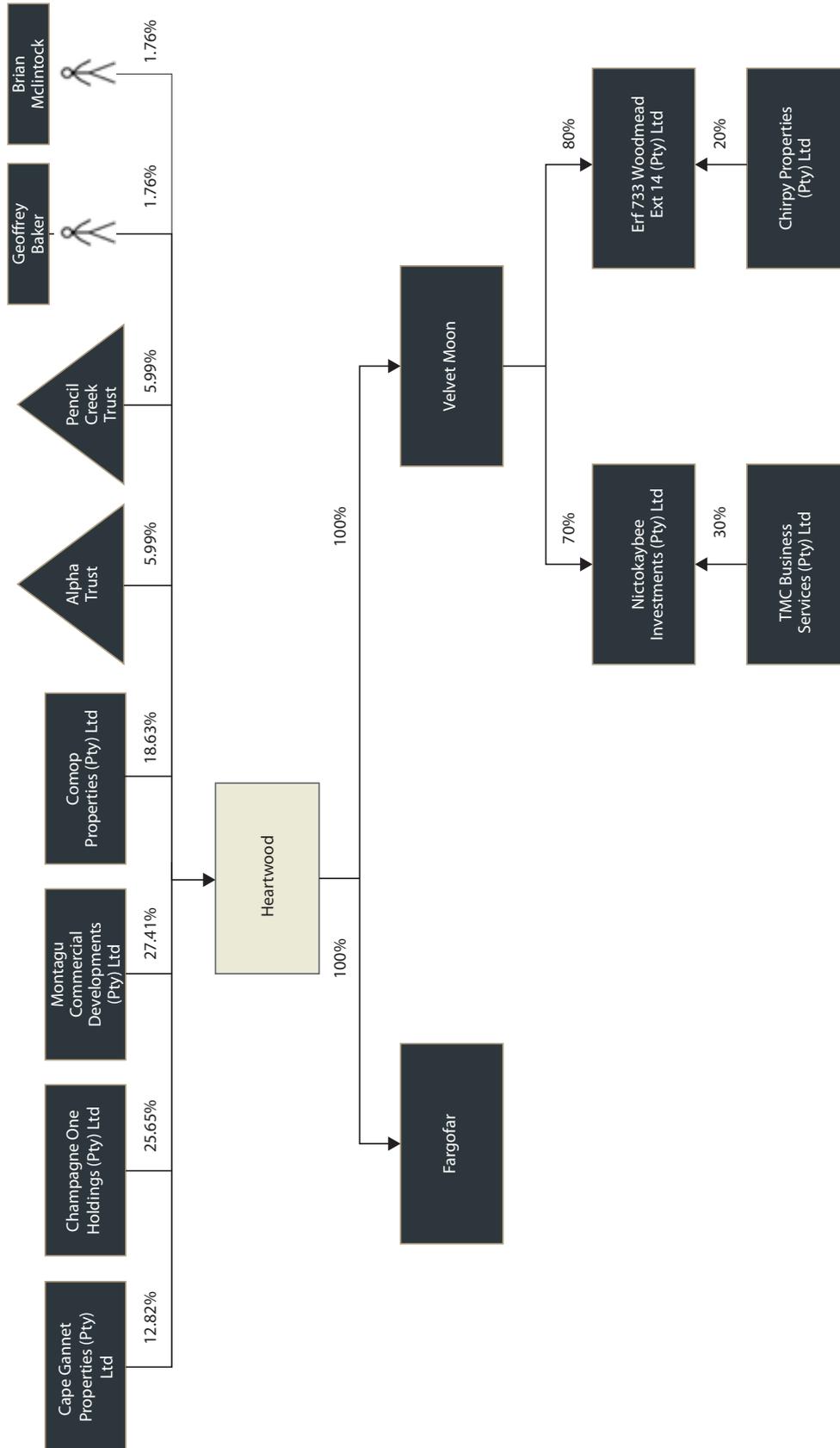
Please refer to paragraph 8.7.6 for the valuation coverage.

8.7.6 **A Valuation Report/s with a Valuation Coverage of 85%**

The valuation reports have been attached as **Annexure 8**, these reports cover 100% of the properties within the portfolio of the Group

HEARTWOOD GROUP STRUCTURE

Set out in the annexure below is a diagram depicting the Heartwood Group Structure as at the Listing Date.



HEARTWOOD GROUP PROPERTY PORTFOLIO

Set out in the annexure below are photographs of the Company's Willow Wood office park development.





Set out in the annexure below are photographs of the Company's media connection office and warehouse (Lanseria).



EXTRACTS FROM THE CONSTITUTION OF HEARTWOOD

In accordance with paragraph 1.5 of the Listing Particulars Document, set out below is an extract from the Constitution of Heartwood in regards to the relevant provisions detailed in the table set out in paragraph 1.5.

Any power enabling a Director to vote on a proposal, arrangement or contract in which he is materially interested

No such provision is included in the Constitution of Heartwood.

Any power enabling the Directors to vote on remuneration (including pension or other benefits) to themselves or any members of their body and any other provision as to the remuneration of the Directors

“29.1. The Company may pay remuneration to the Directors for their services as Directors in accordance with a special resolution approved by the Shareholders within the previous 2 (two) years, as set out in section 66(8) and (9), and the power of the Company in this regard is not limited or restricted by this Memorandum of Incorporation.

29.2. Any Director who–

29.2.1. serves on any executive or other committee; or

29.2.2. devotes special attention to the business of the Company; or

29.2.3. goes or resides outside South Africa for the purpose of the Company; or

29.2.4. otherwise performs or binds himself to perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director;

may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a Director, as a disinterested quorum of the Directors may from time to time determine.

29.3. The Directors may also be paid all their travelling and other expenses necessarily incurred by them in connection with–

28.3.1. the business of the Company; and

28.3.2. attending meetings of the Directors or of committees of the Directors of the Company.

29.4. The Board may, as contemplated in and subject to the requirements of section 45, authorise the Company to provide financial assistance to a Director, Prescribed Officer or other Person referred to in section 45(2), and the power of the Board in this regard is not limited or restricted by this Memorandum of Incorporation.”

Borrowing powers exercisable by the Directors and how such borrowing powers can be varied

32.1 “Subject to the provisions of clause 32.2 and the other provisions of this Memorandum of Incorporation, the Directors may from time to time–

32.1.1 borrow for the purposes of the Company such sums as they think fit; and

32.1.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of Securities, mortgage or charge upon all or any of the property or assets of the Company.”

Retirement or non-retirement of Directors under an age limit

No such provision is included in the Constitution of Heartwood and Directors are not required to retire.

Directors' qualification shares

No such provision is included in the Constitution of Heartwood, Directors are not required to hold qualification shares.

Changes in capital

“6.3 The Board shall not have the power to –

6.3.1 increase or decrease the number of authorised Shares of any class of the Company's Shares;

6.3.2 create any new class or classes of authorised but unissued Shares;

6.3.3 consolidate and reduce the number of the Company's issued and authorised Shares of any class;

6.3.4 subdivide its Shares of any class by increasing the number of its issued and authorised Shares of that class without an increase of its capital;

6.3.5 convert any class of Shares into one or more other classes of Shares;

6.3.6 reclassify any classified Shares that have been authorised but not issued;

6.3.7 classify any unclassified Shares that have been authorised but not issued;

6.3.8 determine the preferences, rights, limitations or other terms of any Shares;

- 6.6. *In addition, and without prejudice, to the provisions of clause 6.3, the numbers of authorised Shares of each class, and the preferences, rights, limitations and other terms associated with each class of Shares as set out in this Memorandum of Incorporation may be changed only by an amendment of this Memorandum of Incorporation by special resolution of the Shareholders and in accordance with the 4AX Listing Requirements, and such amendments shall not be implemented without a special resolution adopted by the holders of Shares of that class at a separate meeting.*
- 6.7. *No Shares may be authorised in respect of which the preferences, rights, limitations or any other terms of any class of Shares may be varied in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7).*
- 6.8. *The Company may only issue Shares which are fully paid up and, subject to clause 6.9, freely transferable and only within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation.*
- 6.11. *The Board may, subject to clauses 6.12 and 6.13, resolve to issue, allot and/or grant Securities, Debt Securities convertible into Securities and/or grant options, warrants or similar rights to subscribe for Securities, at any time, but only within the classes and to the extent that those Securities have been authorised by or in terms of this Memorandum of Incorporation and provided that such transaction(s) comply with the 4AX Listing Requirements.*
- 6.12. *Subject to clauses 6.11 and 6.14, the Board may not issue unissued Securities unless such Securities have first been offered to existing holders of Securities pro rata to their shareholding of that class of Securities (on such terms and in accordance with such procedures as the Board may determine), unless the relevant issue of Securities is undertaken.”*

Any time limit after which entitlement to Distribution lapses and an indication of the party in whose favour the lapse operates

- “36.6. *All unclaimed distributions may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, provided that distributions that remain unclaimed for a period of 3 (three) years from the date on which they were declared may be declared by the Directors to be forfeited for the benefit of the Company. The Directors may at any time annul such forfeiture upon such conditions (if any) as they think fit.”*

Arrangements for transfer of the Securities and, where permitted, restrictions on the free transferability

- “9.1. *The instrument of transfer of any Certificated Securities which are not listed on 4AX shall be signed by both the transferor and the transferee, and the transferor shall be deemed to remain the holder of such Certificated Securities until the name of the transferee is entered in the Securities Register. The Directors may, however, in their discretion in such cases as they deem fit, dispense with requiring the signature of the transferee on the instrument of transfer.*
- 9.2. *Subject to such restrictions as may be applicable (whether by virtue of the preferences, rights, limitations or other terms associated with the Securities in question), any Shareholder or holder of other Securities may transfer all or any of its Certificated Securities which are not listed on 4AX by instrument in writing in any usual or common form or any other form which the Directors may approve.*
- 9.3. *Every instrument of transfer shall be delivered to the principal place of business of the Company, accompanied by–*
- 9.3.1. *the certificate issued in respect of the Certificated Securities to be transferred; and/or*
- 9.3.2. *such other evidence as the Company may require to prove the title of the transferor, or his or her right to transfer the Certificated Securities.*
- 9.4. *All authorities to sign transfer deeds or other instruments of transfer granted by holders of Securities for the purpose of transferring Securities which may be lodged, produced or exhibited with or to the Company at its registered office or at its transfer office shall, as between the Company and the grantor of such authorities, be taken and deemed to continue and remain in full force and effect, and the Company may allow the same to be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the Company’s registered office or transfer office at which the authority was first lodged, produced or exhibited. Even after the giving and lodging of such notice, the Company shall be entitled to give effect to any instruments signed under the authority to sign and certified by any officer of the Company as being in order before the giving and lodging of such notice.*
- 9.5. *All instruments of transfer, when registered, shall either be retained by the Company or disposed of in such manner as the Directors shall from time to time decide. Any instrument of transfer which the Directors may decline to register shall (unless the Directors shall resolve otherwise) be returned on demand to the Person who lodged it.*
- 9.6. *The transfer of Uncertificated Securities may be effected only–*
- 9.6.1. *by a Participant or Central Securities Depository;*
- 9.6.2. *on receipt of an instruction to transfer sent and properly authenticated in terms of the rules of a Central Securities Depository or an order of a Court; and*
- 9.6.3. *in accordance with section 53 and the rules of the Central Securities Depository.*
- 9.7. *Transfer of ownership in any Uncertificated Securities must be effected by debiting the account in the Uncertificated Securities Register from which the transfer is effected and crediting the account in the Uncertificated Securities Register to which the transfer is effected, in accordance with the rules of the Central Securities Depository.”*

CONSOLIDATED *PRO FORMA* FINANCIAL INFORMATION OF HEARTWOOD AS AT 31 AUGUST 2017

The definitions and interpretations commencing on page 7 of this Listing Particulars Document apply *mutatis mutandis* to this **Annexure 4**.

The consolidated *pro forma* financial information of the Company as at 31 August 2017 is set out below. The *pro forma* consolidated statement of financial position has been prepared for illustrative purposes only to show the financial effects of the Velvet Moon Acquisition and the Fargofo Acquisition. Because of its nature, the *pro forma* statement of financial position may not fairly present the Company's financial position, changes in equity, results of operations or cash flows after the Velvet Moon and Fargofo Acquisition.

The *pro forma* financial information as at 31 August 2017 is presented in a manner that is consistent with the accounting policies of the Company, IFRS and the basis on which the historical financial information has been prepared. The *pro forma* financial information has been prepared in accordance with the 4AX Listing Requirements and in compliance with the revised SAICA Guide on *Pro forma* Financial Information.

The *pro forma* statement of financial position as set out below should be read in conjunction with the report of the Independent Reporting Accountants which is included as Annexure 5 to this Listing Particulars.

The Directors of Heartwood are responsible for the preparation of the *pro forma* financial information.

The *pro forma* statement of financial position of the Company as at 31 August 2017 has been prepared on the assumption that the Velvet Moon Acquisition and the Fargofo Acquisition were affected on 31 August 2017.

PRO FORMA STATEMENT OF FINANCIAL POSITION

as at 31 August

	Note 1	Note 2	Note 3	
	Dormant Heartwood Properties	Velvet Moon Acquisition <i>Pro forma</i>	Fargofo Acquisition <i>Pro forma</i>	Heartwood after Acquisitions <i>Pro forma</i>
Assets				
Non-current assets	-	51,561,337	61,346,793	112,908,130
Investment property	-	51,363,737	58,500,000	109,863,737
Property, plant and equipment	-	197,600	2,846,793	3,044,393
Investments in Subsidiaries	-	-	-	-
Current assets	-	7,810,494	688,399	8,498,893
Other financial assets	-	98,158	(84,435)	13,723
Loans to Shareholders	-	-	88,943	88,943
Trade and other receivables	-	507,211	261,046	768,257
Current tax receivables	-	454,027	-	454,027
Cash and cash equivalents	-	6,751,098	422,845	7,173,943
Total assets	-	59,371,831	62,035,192	121,407,023
Equity and liabilities				
Equity	-	29,239,514	30,456,801	59,696,315
Share Capital	-	18,054,353	10,739,618	28,793,971
Retained income	-	10,859,363	19,717,183	30,576,546
Non-controlling interest	-	325,798	-	325,798
Non-current liabilities	-	23,577,428	30,403,700	53,981,128
Other financial liabilities	-	20,444,661	24,448,981	44,893,642
Loans from Shareholders	-	-	-	-
Deferred tax	-	3,132,767	5,954,719	9,087,486
Current liabilities	-	6,554,889	1,174,691	7,729,580
Other financial liabilities	-	1,573,280	1,040,016	2,613,296
Loans from Shareholders	-	2,967,182	-	2,967,182
Trade and other payables	-	2,014,427	134,675	2,149,102
Total equity and liabilities	-	59,371,831	62,035,192	121,407,023

NOTES AND ASSUMPTIONS:

1. Heartwood is incorporated as a new entity with starting position of nil.
2. Heartwood acquired the net assets of Velvet Moon. The net assets consist of Investment Property, Tenant Installations, Trade Receivables and Cash assets with a fair value of R59 371 831 and Term Loans, Shareholders Loans, Trade Payable liabilities and Minority Interest of R30 458 115.

As part of the restructuring, Shareholders loans of R18 053 353 has been converted to equity in Velvet Moon After taking into account the conversion, the net asset value of Velvet Moon is R28 913 716 (after minority interest).

The purchase consideration of R28 913 716 was settled by issuing 48 700 464 Shares in terms of the Velvet Moon Acquisition, a section 42 asset for share transaction. A Share issue price of R0.59 has been assumed.

3. Heartwood acquired the net assets of Fargofer. The net assets consist of Investment Property, Tenant Installations, Trade Receivables and Cash assets with a fair value of R62 035 192 and Term Loan and Trade Payable liabilities of R31 578 391. The purchase consideration of R30 456 801 was settled by issuing 51 299 541 Shares in terms of the Fargofer Acquisition, a section 42 asset for share transaction. A Share issue price of R0.59 has been assumed.
4. The indebtedness of the Company and its Subsidiaries as regards bank loans, overdrafts and other borrowings as at 31 August 2017 can be summarised as follows:

	On demand or within a period not exceeding 1 (one) year	Within a period of more than 1 (one) year but not exceeding 2 (two) years	Within a period of more than 2 (two) years but not exceeding 5 (five) years and	In more than 5 (five) years	Total
Bank Loans	R2,373,273	R3,020,207	R13,152,805	R28,960,653	R47,506,938
Shareholder Loans	R2,967,182	0	0	0	R2,967,182
Trade Payables	R2,149,102	0	0	0	R2,149,102
	R7,489,557	R3,020,207	R13,152,805	R28,960,653	R52,623,222

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE CONSOLIDATED PRO FORMA FINANCIAL INFORMATION OF HEARTWOOD AS AT 31 AUGUST 2017

The Directors
Heartwood Properties Limited
Unit 8, Tonquani House
6 Gardner Williams Avenue
Paardevelei, Somerset West, 7130

14 March 2018

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF HEARTWOOD PROPERTIES LIMITED ("Heartwood" or the "Company")

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Heartwood by its directors ("Directors"). The *pro forma* financial information as set out in Annexure 4 of the listing particulars ("Listing Particulars"), consists of the *pro forma* statement of financial position of Heartwood and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the 4AX Listing Requirements.

The *pro forma* financial information has been compiled by the Directors to illustrate the impact of the corporate actions, described in the Listing Particulars and Annexure 4 thereto, on the Heartwood Group's financial position as at 31 August 2017, as if the corporate actions had taken place at 31 August 2017. As part of this process, information about the Heartwood Group's financial position has been extracted by the Directors from the historical financial information of its subsidiaries for the period for which interim financial statements were prepared.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("IRBA Code"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Directors' responsibility for the *pro forma* financial information

The Directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the 4AX Listing Requirements and described in Annexure 4.

Reporting accountants' responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all Material respects, by the Directors on the basis specified in the 4AX Listing Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3420: *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus*. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all Material respects, on the basis specified in the 4AX Listing Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a Listing Particulars is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all Material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- the related *pro forma* adjustments give appropriate effect to those criteria; and
- the *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all Material respects, on the basis of the applicable criteria specified by the 4AX Listing Requirements and described in Annexure 4.

Consent

This report on the unaudited *pro forma* financial information is included solely for the information of the Heartwood shareholders. We consent to the inclusion of our report on the *pro forma* statement of financial position and the references thereto, in the form and context in which they appear.

PICF Octagon
Chartered Accountants (SA)
Registered Auditors

Stephen Leslie Tucker
Partner
Chartered Accountant (SA)
Registered Auditor
21 Scott Street, Waverley
Johannesburg

FORECAST FINANCIAL INFORMATION OF HEARTWOOD

The definitions and interpretations commencing on page 7 of this Listing Particulars apply to this Annexure 6.

The forecast financial information for the Heartwood property portfolio has been prepared for the 6 month period ending 28 February 2018 and the 12 month periods ending 28 February 2019 and 28 February 2020 respectively. The forecast financial information has been prepared on the assumption that the Velvet Moon Acquisition and the Fargofor Acquisition were affected on or about 31 August 2017.

The forecast financial information for the Company, including the assumptions on which they are based and the financial information from which they are prepared, are the responsibility of the Directors of Heartwood, provided that, in this regard, the Directors of Heartwood and the Independent Reporting Accountants have reviewed the reasonableness of representations and information received from Heartwood.

The forecast financial information of the Company has been presented in a manner that is consistent with the accounting policies of the Company and in compliance with IFRS.

The forecast financial information as set out below should be read in conjunction with the report of the Independent Reporting Accountants which is included as Annexure 7 to this Listing Particulars.

The Directors of Heartwood are responsible for the preparation of the forecast financial information.

Detailed Statement of Comprehensive Income	Actual – 6 months ended Aug 17	Projected – 6 months ended Feb 18	Projected YE Feb 18	Projected YE Feb 19	Projected YE Feb 20
Revenue					
Rental Income	4 358 973	5 243 783	9 602 756	12 047 954	16 897 905
Other Income					
Recoveries	958 087	1 170 455	2 128 542	2 685 822	3 863 462
Fair value adjustment of investment property	3 800 000	4 086 500	7 886 500	8 713 042	9 918 141
	9 117 060	10 500 738	19 617 798	23 446 818	30 679 508
Operating Expenses					
Assessment Rates	305 231	308 365	613 596	712 311	974 760
Advertising & Marketing	1 896	11 896	13 792	61 125	65 709
Auditors Remuneration	75 500	73 000	148 500	150 000	161 250
Bank Charges	2 714	2 247	4 961	6 516	7 756
Cleaning	3 135	4 180	7 315	8 987	9 661
CSOS Levy	1 280	1 440	2 720	3 096	3 328
Commission Paid	76 541	195 011	271 552	442 095	859 866
Depreciation	408 476	445 708	854 184	882 556	1 111 856
Insurance	–	11 750	11 750	12 631	13 579
Levies	432 943	467 781	900 724	1 019 087	1 521 328
Municipal Expenses	698 770	698 988	1 397 758	1 666 242	2 282 395
Other Expenses	206	120 000	120 206	489 000	525 675
Professional Fees	30 500	923 214	953 714	270 000	290 250
Printing & Stationery	–	15 000	15 000	61 125	65 709
Rental Paid	–	22 386	22 386	73 350	78 851
Repairs and Maintenance	12 698	23 156	35 854	38 318	41 192
Telephone and IT	–	12 000	12 000	48 900	52 568
Travel & Accommodation	–	24 000	24 000	97 800	105 135
Directors Remuneration & Salaries	–	442 750	442 750	1 680 000	1 680 000
Secretarial Fees	28 950	15 668	44 618	37 688	44 817
	2 078 840	3 818 540	5 897 380	7 760 827	9 895 686
Operating Profit	7 038 220	6 682 198	13 720 418	15 685 992	20 783 823
Finance Costs	2 973 876	2 049 516	5 023 392	5 373 608	8 047 770
Minority Interest	73 671	163 753	237 424	392 360	519 071
Profit before taxation	3 990 673	4 468 929	8 459 602	9 920 024	12 216 981

NOTES AND ASSUMPTIONS:

The profit forecasts have been:

- prepared in accordance with the entities accounting policies and in compliance with IFRS for SME's; and
- Management forecasts are based on analysis of historical information, contracts and information.
- Heartwood will acquire the entire share capital of the following subsidiaries:

Subsidiary name	Assumed acquisition date
Velvet Moon Properties 93 Proprietary Limited	31 August 2017
Fargofo Proprietary Limited	31 August 2017

Notes and Assumptions

The forecasts incorporate the following Material assumptions in respect of revenue and expenses that can be influenced by the directors:

1. The forecasts for the six month period ending 28 February 2018, the year ending 28 February 2019 and year ending 28 February 2020 respectively are based on information derived from historic information.
2. Heartwood does not plan to dispose of any properties within the Group's portfolio during the forecast periods.
3. Contracted revenue is based on existing lease agreements and includes stipulated increases, all of which are valid and enforceable. Where rental contracts are not in place (Block D Willowwood for which expected occupation date is March 2019) rental was projected at a rate per sqm taking into account market conditions and information from the feasibility study prepared by an independent Quantity Surveyor.
4. Recoveries of municipal expenses and operating costs from tenants were projected at the historical percentage of expenses recovered.
5. Subsequent fair value adjustments to investment properties have been forecast at escalations of between 5% and 7.5% per annum based on management estimates, market conditions and information received from independent valuers. Formal valuations were performed in August 2017, and these values have been used in the interim financial statements available for inspection and pro forma forecast information.
6. The weighted average interest rate applicable to the debt funding facility is 9.5% for the duration of the forecast. Variable interest rates are assumed to be prime of 10.25% less 0.75% for Fargofo and Velvet Moon and prime of 10.25% less 0.25% for subsidiaries of Velvet Moon. The prime rate is not assumed to increase over the term of the forecast.
7. There will be no unforeseen economic factors that will affect the lessees' abilities to meet their commitments in terms of the existing lease agreements.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE FORECAST FINANCIAL INFORMATION OF THE COMPANY

The Directors
Heartwood Properties Limited
Unit 8, Tonquani House
6 Gardner Williams Avenue
Paardevelei, Somerset West, 7130

14 March 2018

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE FORECAST STATEMENTS OF COMPREHENSIVE INCOME OF HEARTWOOD PROPERTIES LIMITED ("Heartwood" or the "Company")

Report on the identified property forecast information

We have undertaken a reasonable assurance engagement in respect of the accompanying property forecast of Heartwood for the 6 month period ending 28 February 2018, the year ending 28 February 2019 and the year ending 28 February 2020 set out in Annexure 6 to the listing particulars to be issued on or about Thursday, 8 March 2018 ("Listing Particulars"), comprising the forecast statement of profit or loss and other comprehensive income and the vacancy and lease expiry profile of the property portfolio as a whole ("Forecast Information"), as required by paragraph 9.50 and 17.5.2 of the 4AX Listing Requirements.

We have also undertaken a limited assurance engagement in respect of the assumptions of the directors of Heartwood ("Directors") used to prepare and present the Forecast Information, disclosed in Annexure 6, as required by paragraph 9.50 and 17.5.2 of the 4AX Listing Requirements.

Directors' responsibility for the Forecast Information and for the assumptions used to prepare the Forecast Information

The Directors are responsible for the preparation and presentation of the Forecast Information and for the reasonableness of the assumptions used to prepare the Forecast Information as set out in the notes to the Forecast Information in Annexure 6. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the Forecast Information on the basis of those assumptions that is free from Material misstatement, whether due to fraud or error.

Inherent Limitations

Actual results are likely to be different from the Forecast Information since anticipated events frequently do not occur as expected and the variation may be Material. Consequently, readers are cautioned that this forecast may not be appropriate for purposes other than described in the purpose of the report paragraph below.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limited assurance engagement on the reasonableness of the Directors' assumptions

Reporting accountant's responsibility

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the assumptions do not provide a reasonable basis for the preparation and presentation of the Forecast Information in accordance with the 4AX Listing Requirements for forecast information, based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3400, The Examination of Prospective Financial Information (ISAE 3400), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Directors' assumptions provide a reasonable basis for the preparation and presentation of the Forecast Information.

A limited assurance engagement undertaken in accordance with ISAE 3400 involves assessing the source and reliability of the evidence supporting the Directors' assumptions. Sufficient appropriate evidence supporting such assumptions would be obtained from internal and external sources including transaction consideration of the assumptions in the light of historical information and an evaluation of whether they are based on plans that are within the entity's capacity. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, observations of processes performed, inspection of documents, analytical procedures, evaluating the reasonableness of best-estimate assumptions and agreeing or reconciling with underlying records.

Our procedures included evaluating the Directors' best-estimate assumptions, on which the Forecast Information is based, for reasonableness.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Directors' assumptions provide a reasonable basis for the preparation and presentation of the Forecast Information.

Limited assurance conclusion on the reasonableness of the Directors' assumptions

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that the Directors' assumptions do not provide a reasonable basis for the preparation and presentation of the Forecast Information for the 6 month period ending 28 February 2018, the year ending 28 February 2019 and the year ending 28 February 2020.

Reasonable assurance engagement on the Forecast Information

Reporting accountant's responsibility

Our responsibility is to express an opinion based on the evidence we have obtained about whether the Forecast Information is properly prepared and presented on the basis of the Directors' assumptions disclosed in the notes to the Forecast Information (the assumptions) and in accordance with the 4AX Listing Requirements for forecast information. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3400, The Examination of Prospective Financial Information (ISAE 3400), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether such Forecast Information is properly prepared and presented on the basis of the Directors' assumptions disclosed in the notes to the Forecast Information and in accordance with the 4AX Listing Requirements for forecast information.

A reasonable assurance engagement in accordance with ISAE 3400 involves performing procedures to obtain evidence that the Forecast Information is properly prepared and presented on the basis of the assumptions and in accordance with the 4AX Listing Requirements for forecast information. The nature, timing and extent of procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of Material misstatement, whether due to fraud or error, of the Forecast Information. In making those risk assessments, we considered internal control relevant to Heartwood's preparation and presentation of the Forecast Information.

Our procedures included:

- inspecting whether the assumptions, barring unforeseen circumstances, are not an unreasonable basis for the preparation of the Forecast Information;
- inspecting whether the Forecast Information is properly compiled and prepared on the basis of the assumptions;
- inspecting whether the Forecast Information is properly presented and all Material assumptions are adequately disclosed, including a clear indication as to whether they are best-estimate assumptions; and
- inspecting whether the Forecast Information is prepared on a consistent basis with the historical financial statements, using appropriate accounting policies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the Forecast Information

In our opinion, the Forecast Information is properly prepared and presented on the basis of the assumptions and in accordance with the 4AX Listing Requirements for forecast information for the 6 month period ending 28 February 2018, the year ending 28 February 2019 and the year ending 28 February 2020.

Purpose of the report

This report has been prepared for the purpose of satisfying the requirements of paragraph 9.50 and 17.5.2 of the 4AX Listing Requirements and for no other purpose.

Report on other legal and regulatory requirements

In accordance with our responsibilities set out in the 4AX Listing Requirements, we have performed the procedures set out therein. If, based on the procedures performed, we detect any exceptions; we are required to report those exceptions. We have nothing to report in this regard.

PICF Octagon
Chartered Accountants (SA)
Registered Auditors

Stephen Leslie Tucker
Partner
Chartered Accountant (SA)
Registered Auditor
21 Scott Street, Waverley
Johannesburg

INDEPENDENT PROPERTY VALUER REPORT

VALUATION REPORT

of

**Erf 661 Lanseria Extension 46,
Johannesburg, Gauteng**

**Property Reference
Media Connection**

Undertaken For: **Montagu Property Group**
PO Box 10772
FOURWAYS EAST
2055

Prepared By: **W.J. HEWITT** Professional Valuer NDPV, MIEA, FIVSA, MRICS, Appraiser.
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Registered in term of section 20(2) (b) of the Property Valuers Profession Act, 2000 (Act No. 47 of 2000)
Registration Number 7686/9

Date: 3rd August 2017

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3rd August 2017

Montagu Property Group

PO Box 10772
FOURWAYS EAST
2055

**Our Ref: - Co & Priv\Montagu Property Group\2017\
LanseriaExt 46, Erf 661\Report (pn)**

Dear Sir / Madam,

MARKET VALUATION OF THE SUBJECT PROPERTY:
ERF 661 LANSERIA EXTENSION 46, JOHANNESBURG, GAUTENG
Property Reference: Media Connection

1. INSTRUCTION & PURPOSE

We refer to your written instruction requesting us to determine the Market Value of the above-mentioned subject property.

We have now inspected the subject property and having made all relevant enquiries, have pleasure in submitting our report.

2. DEFINITIONS

2.1 Market Value

"Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion." – International Valuation Standards, 2017

Further, no account is taken of any additional bid by a prospective purchaser with a special interest.

2.2 Estimated New Replacement Cost (ENRC)

The ENRC is the estimated cost of replacing the improvements as if new with their modern equivalent, at prices applicable at the ENRC date, inclusive of fees, VAT and installation costs, but exclusive of any finance costs.

The definition presumes that the foundations to the buildings are normal foundations erected upon stable ground for the types of structure and it excludes any additional costs for extra excavation, piling or reinforcement.

The ENRC is based upon the application of a square metre rate multiplied by the gross external building areas. We have assumed the replacement cost figure would be similar to the replacement cost, if undertaken on the basis of an elemental cost analysis.

The insurance has been prepared exclusively and expressly for the purpose of the report and conforms to the specific requirements of the client in regard to the basis of the calculations. In terms of Mills Fitchet's understanding, the estimated new replacement cost for insurance purposes is a minimum recommended insurance value. (Refer to the attached *Annexure A*)

2.3 IFRS

The valuation has been prepared in accordance with the requirements of the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS) and in particular IFRS 13.

The definition of Fair Value recognised by the International Accounting Standards Board (IASB) and adopted by the IVS is stated as "the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date".

The guidance in IFRS 13 states that the objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.

The references in IFRS 13 to market participants and a sale make it clear that for most practical purposes, Fair Value is consistent with the concept of Market Value (Refer to the attached *Annexure D*.)

3. **DATES**

3.1 **Date of inspection**

27th July 2017

3.2 **Date of valuation**

28th February 2017

4. **TENURE**

Freehold.

5. **EXISTING USE**

Double storey offices with an attached warehouse and on-site vehicle parking.

6. **LEGAL DESCRIPTION & CONDITIONS OF TITLE**

Erf No	Township	Land Area m ²	Registered Owner	Title Deed No.
661	Lanseria Extension 46, Johannesburg, Gauteng	4 048	Nictokaybee Inv Pty Ltd	T22532/2015

We have had sight of a copy of relevant Title Deed. Based on the copy as supplied by the client on the 31st July 2017, it is our opinion there are no onerous conditions or restrictions which are likely to affect the Market Value. We are unaware of any subsequent endorsements which may affect the Market Value and reserve the right to amend our report and calculations should any additional information be forthcoming.

6.1 **Notarial Tie Agreement**

We have not had a sight of a notarial tie agreement.

6.2 **Positive identification of subject property**

We have identified the erf as per a CoJ GIS locality plan as well as an on-site inspection undertaken by ourselves.

7. **PHYSICAL ADDRESS**

No. 54 Amelia Street, Lanseria Corporate Estate, Lanseria Extension 46, Gauteng.

8. **SITUATION & SURROUNDING AREA**

The subject property is situated within Lanseria Corporate Estate, which is a developing industrial node situated within the township of Lanseria Extension 46.

The Lanseria Corporate Estate "covers 90 hectares and a total of 169 industrial stands ranging in size from 3 500 m² to 7 300 m²". It is situated on the east side of the R512 national road, immediately south of Lanseria International Airport and approximately 3.4 kilometres north of the N14 motorway intersection. Approximately 50% of the estate has been developed with modern industrial buildings with ancillary offices.

The surrounding area outside Lanseria Corporate Estate remains mainly vacant farm portions.

9. **LOCAL AUTHORITY INFORMATION**

9.1 **Town Planning Details**

Zoning : Industrial 1, excluding a filling station
Height : Three storeys: provided that the maximum height shall not exceed 25 metres
FAR : 0.6
Coverage : 60%
Building Line : As per Scheme
Parking Requirements : As per Scheme

9.2 **Municipal Valuation**

Improved Value : R5 000 000.00

Currently rates and taxes are levied at 1.9097 cents in the Rand on the above Improved Value.

10. IMPROVEMENTS

10.1 Age of buildings

The subject property was developed in 2015.

10.2 Description of property

Building Name	Media Connection
Gross Building Area (m²)	1 960 m ²
Structure	Administration offices: Double storey reinforced concrete frame Warehouse: Steel portal frame structure (6.85 metres to eaves) attached to the administration offices
External Walls	Administration offices: Plastered and painted brick walls Warehouse: Plastered and painted brick walls to approximately 3 metres in height with IBR cladding above
Internal Walls	Plastered and painted brick walls and painted drywall partitioning where applicable
Roof	Mono roof design with Klip-lok covering
Ceilings and Lighting	Concrete and suspended ceilings with recessed, exposed strip fluorescent, bayonet and LED lighting in the administration offices and sisalation insulation with mercury vapour lighting in the warehouse.
Floors	Reinforced concrete floors, with a carpet and ceramic tile overlay where applicable in the administration offices.
Windows	Aluminium frames
Other details	Wall mounted, split unit and central duct air-conditioning, power skirting and steel blinds
Accommodation	Ground floor: Reception, sales offices, ablution, open plan offices, meeting room, training room, lounge, canteen, double volume warehouse First floor: Administration offices, ablution, kitchen and mezzanine floor in warehouse
Parking	36x Shadenet parking bays 3x Carport parking bays
Ingress and egress	From Amelia Road

10.3 Plant and Machinery

All air-conditioning units have been included. The stand-by generator has been excluded.

10.4 Condition of repair

We have not undertaken a structural survey of the above-described building, nor have we arranged for tests and inspections to be carried out on any of the service installations, however, at the date of the site inspection the condition could be considered as good.

10.5 Functionality of improvements

The subject property offers functional warehouse accommodation in terms of size, floor to eaves height, administration offices and on-site vehicle parking. However, the building has been "custom-built" and the administration office-to-warehouse ratio is not ideal, with the administration offices constituting 78% of the total gross building area. Furthermore, vehicle access to the warehouse is restricted to smaller commercial vans or trucks.

10.6 Lettability & Saleability

10.6.1 Lettability: Average to below average due to the size of the warehouse in relation to the office component and the restricted access of the warehouse.

10.6.2 Saleability: Average to below average due to the size of the warehouse in relation to the office component and the restricted access of the warehouse.

11. HIGHEST AND BEST USE

The "Highest and Best Use" is defined in the International Valuation Standards as:

"The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued".

Further to the above definition, in order to test the highest and best use of the property, one must analyse all feasible alternatives. The market usually limits the number of uses to a few logical alternatives.

Each alternative must first meet the tests of physical possibility and legal permissibility. The uses that meet these two alternatives must then be analysed to establish financially feasible alternatives.

Legal Permissibility

In this regard, one must establish the uses according to town planning controls and restrictions, such as zoning and building codes. Title deed restrictions and environmental regulations may also limit the potential uses for the property.

Physical Possibility

The size, shape, area, terrain and accessibility of the site, as well as the risk of natural disasters such as floods, should be taken into account when analysing the potential use of the property.

Financial Feasibility

After having established which uses are legally permissible and physically possible, one can eliminate certain uses from consideration. The uses, which meet the first two criteria should then be analysed further to determine which are likely to result in the best returns.

Based on the above definition, we have valued the subject property having regard to its "Highest and Best Use", which would be the existing light industrial use.

12. SCHEDULE OF GROSS LETTABLE AREAS

We have measured the building on site. We note the Lease Agreement indicates a gross lettable area of 1 679m², compared to our on-site measurements of 1 960m². Reliance has been placed on the measurements taken on site. Refer to the attached *Annexure C*.

13. LEASE DETAILS

13.1 Lease Expiry Profile

We have had sight of the following signed lease agreement:-

Lessor	Nictokaybee Investments (Pty) Ltd
Lessee	Abundant Media (Pty) Ltd
Leased Premises	Buildings and associated parking bays situated on Erf 661 Lanseria Ext 46.
Lease Period	10 years
Commencement date	1 November 2015
Expiry date	31 October 2025
Current basic monthly rental	R129 101.04
Annual escalation	8% per annum compounded
Lessee's obligations	11 Insurance
	11.3 The landlord shall take out and maintain, at the cost of the tenant, an insurance policy to cover the full replacement value of the premises.
	11.5.1 Insure and keep insured all stock in trade, fixtures, fittings, installations and all its goods in the premises from time to time.
	12 Utility charges The tenant shall pay directly the cost of all sanitary charges, refuse removal charges, water charges and electricity charges levied from time to time in respect of the premises or any use thereof.
	13 Rates
	13.1 The landlord delegates to the tenant the obligation to pay all rates, taxes and other imposts levied against the property by the local authority.
	13.4 Operating costs In respect of all costs, charges, expenses, fees or disbursements of whatever nature relating to the buildings and the property and the maintenance, security, servicing, landscaping and administration thereof the tenant shall pay to the landlord all of the landlord's expenses in respect thereof
Lessor's obligation	18 Maintenance
	18.3 Shall be obligated to carry out all structural repairs to the building at its sole cost and expense
	18.5.1 Maintain the external structure of the building, including the roof, external walls and waterproofing in good order and repaint and repaint when necessary

13.2 Vacancy

For the purpose of this valuation, we have considered a long-term vacancy factor of 1.5% of the gross annual income into perpetuity.

The following vacancy percentages have also been considered (refer to the attached *Annexure C*):-

Year	Vacancy percentage
Year 1 – 10	0%

14. MARKET RELATED RENTALS AND CONCLUSION

With reference to the Rode's Report on the South African Property Market for the 2nd Quarter of 2017 regarding gross market rental rates, the following is evident:-

Mean prime industrial market rentals as in quarter 2017 : 1 (R/ m ² p.m.; gross lease; excl VAT)					
	Area size leased in m ²				
	250	500	1 000	2 500	5 000
Strijdom Park	50.67	50.00	49.20	51.25	44.00
Kya Sand	42.40	43.83	43.00	41.67	39.00

From our market research regarding similar industrial accommodation to lease within the immediate vicinity, the following is evident:

Location	Description of Premises	Monthly Asking Rate/m ² (exc. VAT)	Building Size
Lanseria Corporate Estate	Modern industrial building with attached offices	R60.00/m ² net	1 560m ²
Lanseria Corporate Estate	Modern industrial building with attached offices	R55.00/m ² gross	1 526m ²
Lanseria Corporate Estate	Modern industrial building with attached offices	R71/m ² gross	1 287m ²

14.1 Conclusion of a market related rental

We are of the opinion that the respective market related rentals as detailed within our attached valuation calculations (attached *Annexure C*) are appropriate, considering the grade of the offices and type of industrial accommodation provided within a secure corporate estate and the availability of secure on-site vehicle parking.

14.2 Market Rental Growth Rate

With reference to the SAPOA survey (dated November 2017) the following is evident:-

Property Type	Market Rental Growth Rate			
	MIN	MAX	MED	AVE
High-Tech Industrial	4.00%	8.00%	5.50%	5.71%
Light Manufacturing	4.00%	8.00%	5.50%	5.50%
Warehousing	4.00%	8.00%	5.75%	5.68%
Standard Units	4.00%	8.00%	6.00%	5.82%

Considering the grade, quality and location of the subject property, we are of the opinion that a 5.5% per annum real growth rate can be achieved.

15. GROSS INCOME IN TERMS OF LEASE RENTALS

It is evident that the subject property has the potential of producing a total monthly rental (gross) of R129 101.04 or R1 549 212.48 per annum.

16. GROSS INCOME IN TERMS OF MARKET RELATED RENTALS

From our market research, it is evident that the subject property has the potential of producing a total monthly rental (gross) of R138 360.00 or R1 660 320.00 per annum.

17. ESTIMATED ANNUAL PROPERTY EXPENSES

We detail the estimated annual property related expenses, which the landlord is likely to incur in the day to day running of the premises on the attached *Annexure B*.

17.1 Property Expenditure Growth

With reference to the SAPOA survey (dated November 2017) the following is evident:-

Property Type	Operating Cost Growth			
	MIN	MAX	MED	AVE
High-Tech Industrial	7.00%	8.00%	7.25%	7.47%
Light Manufacturing	7.00%	8.00%	7.25%	7.42%
Warehousing	7.00%	8.00%	7.13%	7.40%
Standard Units	6.00%	8.00%	7.00%	7.25%

We are of the opinion that a 7.25% per annum growth rate can be considered for the estimated annual property expenditure.

18. PROJECTED NET ANNUAL INCOME

Based on the above it is therefore our opinion that as at the 28th February 2017, the subject property has the potential of producing a net annual income of R1 527 474.81. ("Year 1" of the Discounted Cash Flow (DCF) – attached *Annexure C.*)

19. CAPITALISATION RATE

With reference to the Rode's Report on the South African Property Market for the 2nd Quarter of 2017 regarding capitalisation rates, the following is evident:-

Survey of capitalisation rates (%) Industrial buildings Means for quarter 2017 : 1								
Best location	Prime leaseback (AAA Tenant)		Prime quality non-leaseback		Secondary quality building		Prime industrial park	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Central Wits	9.0	0.4	9.9	0.5	10.9	0.8	9.9	0.5

With reference to the SAPOA survey (dated November 2017) the following is evident:-

Property Type	Market Capitalisation Rate			
	MIN	MAX	MED	AVE
High-Tech Industrial	8.00%	11.00%	9.00%	9.25%
Light Manufacturing	8.50%	11.00%	9.50%	9.77%
Warehousing	8.50%	11.00%	9.75%	9.90%
Standard Units	9.00%	12.00%	10.00%	9.94%

Neither Rode nor SAPOA detail Lanseria Extension 46 specifically. The subject property can be considered as "Prime quality non-leaseback" where the Mean is 9.90% with a Standard Deviation of 0.50% as per Rode for the Central Witwatersrand region. This yields a minimum and maximum capitalisation rate of **9.50%** to **10.40%**.

In terms of the SAPOA Survey, the property can best be compared with "Light Manufacturing" or "Warehousing" for which SAPOA quotes Mean capitalisation percentages of **9.40%** to **9.75%**, which is supported by the Rode Report.

For the purpose of the valuation, we have utilized a capitalisation rate of 9.50%.

20. DISCOUNT RATE

With reference to the SAPOA survey (dated November 2017) the following is evident:-

Property Type	Market Discount Rate			
	MIN	MAX	MED	AVE
Warehousing	14.00%	16.00%	14.75%	14.94%
Standard Units	14.00%	15.50%	15.00%	14.83%

In the determination of an appropriate discount rate, physical facilities and potential lettable of the subject property are considered, together with industry growth. The discount rate should be reflected as the potential risk associated with the specific property and future, projected profitability. Consideration must also be given to market conditions and a reflection of what a potential buyer would consider when making such a decision. Also to be considered are levels of return on alternative investments / properties, but the strongest emphasis is placed on future potential and success of the subject property. The preferred method of determining the discount rate, is to consider the capitalisation rate used as a base rate, adding the market real rental growth rate.

An alternative method to support the above discount rate, is to use the risk free rate as the base rate and, adding the perceived risk associated with investing in property such as the subject property. The risk free rate is based on the R186 Government Bond. Also to be added is the property-specific risk as well as the perceived national risk, i.e. general perception towards investing in commercial property in South Africa. This includes economic factors such as currency fluctuation, international economic climate and interest rates.

For the purpose of the valuation we have considered a discount rate of 15.00% per annum during the lease period and a Discount Rate of 15.50% per annum when reverting to market related rentals to be appropriate.

21. ADDITIONAL VACANT LAND

We have not considered any additional vacant land.

22. VACANT LAND SALES

The Valuer should concern himself firstly with vacant land sales within the immediate vicinity with a similar zoning/potential, similar land size and date of sale in order to support an opinion of the vacant land value.

Refer to the attached *Annexure E.*

22.1 Mean & Standard Deviation

With reference to the attached *Annexure E*, the Mean of R909.15 as an escalated rate per square metre of the land surface area has been determined.

22.2 Conclusion of a vacant land rate/m²

With reference to the attached *Annexure E*, we are of the opinion that say R900.00 per square metre of the land surface area can be considered market related.

22.3 Growth within the Property Market

For the purpose of this valuation we have considered an inflation percentage growth of 6% per annum compounded within the property market for the various vacant land sales.

23. METHODS OF VALUATION

The Discounted Cash Flow (DCF) Method takes into account the time value of money between the valuation date and the date when the income stream theoretically reverts to prevailing market levels.

Properties are valued by discounting the expected future net income for a specific period at an appropriate discount rate (or total rate of return) to give the present value (PV) of the expected net income cash flow. To this figure, an applicable final discounted residual or reversionary value is added.

The net income is determined taking into account the gross income, vacancies and lease obligations from which is deducted all normalised operating expenditure.

For the purpose of our cash flow we have considered a 10 year period, a discount rate of 15.0% per annum during the lease period and a Discount Rate of 15.5% per annum when reverting to market related rentals. We have furthermore considered a capitalisation rate of 9.5% during the lease period with an exit capitalisation rate of 10.0%.

In order to corroborate the value derived from this method we have considered the Direct Comparable Method, based on sales of industrial properties within Lanseria Corporate Estate and the surrounding area (refer to the attached *Annexure F*). Our sales analysis indicates a value range of R7 601.70/m² to R9 885.87/m². The value derived from the Discounted Cash Flow (DCF) Method is R16 700 000.00 or R8 520.41/m², which is supported by the value range indicated by our sales analysis. Reliance has been placed on the Discounted Cash Flow (DCF) Method.

24. OPINION OF THE MARKET VALUE

We, the undersigned, W J HEWITT and P L NIESING hereby certify that we have valued the above-mentioned property in order to determine its Market Value to the best of our knowledge and ability as at 28th February 2017 at **R16 700 000.00 (SIXTEEN MILLION SEVEN HUNDRED THOUSAND RAND)**.

We trust that we have carried out the above valuation in accordance with your instructions but should there be any points, which require clarification, please do not hesitate to contact the writer.

Signed at Randburg this 3rd day of August 2017

W.J. HEWITT

Professional Valuer NDPV, MIEA, FIVSA, MRICS, Appraiser
Registered in terms of Section 20(2) (a) and Section 43(8) of the Property Valuers Profession Act, 2000
Registration Number 12

P.L. NIESING

Candidate Valuer MSc Real Estate, B Art et Scientiae (Planning) SAIV
Registered in term of section 20(2) (b) of the Property Valuers Profession Act, 2000 (Act No. 47 of 2000)
Registration Number 7686/9

VALUATION CERTIFICATE

Client: Montagu Property Group
Subject Property: Erf 661 Lanseria Extension 46, Johannesburg, Gauteng
Property Reference: Media Connection

We, the undersigned, P L NIESING, hereby certify that we have valued the above-mentioned property in order to determine its Market Value to the best of our knowledge and ability based on the contents and assumptions as stated in our report as follows:

Date of Valuation: 28th February 2017
Market Value: R16 700 000.00
Sixteen Million Seven Hundred Thousand Rand

W.J. HEWITT

Professional Valuer NDPV, MIEA, FIVSA, MRICS, Appraiser
Registered in terms of Section 20(2) (a) and Section 43(8) of the
Property Valuers Profession Act, 2000
Registration Number 12

P.L. NIESING

Candidate Valuer MSc Real Estate, B Art et Scientiae
(Planning) SAIV
Registered in term of section 20(2) (b) of the Property Valuers
Profession Act, 2000 (Act No. 47 of 2000)
Registration Number 7686/9

Date: 3rd August 2017

Place: Randburg

PHOTOGRAPHS



General external view



General external view



General external view



General external view



General external view – stand-by generator



General external view – rear parking area



General external view – refuse area



General internal view

PHOTOGRAPHS



General internal view



General internal view



General internal view



General internal view



General internal view



General internal view - warehouse



General internal view - warehouse



General internal view - recording studio

PHOTOGRAPHS



General internal view



General internal view

LOCALITY PLAN



ASSUMPTIONS, DISCLAIMER AND LIMITING CONDITIONS

This valuation report has been compiled on the basis of the following:

- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable, unless otherwise stated.
- The property is valued free and clear of any or all liens or encumbrances, unless otherwise stated.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- All engineering information is assumed to be correct. If plans and illustrative Material appear in this report, they are included only to assist the reader in visualizing the property.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- It is assumed that there is full compliance with all applicable state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the valuation report.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in the valuation report.
- It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from local or national government or private entity or organization have been or can be obtained or renewed for any use on which the market value contained in this report is based.
- It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property description and that there is no encroachment or trespass unless noted in the report.
- We have not inspected woodwork or other parts of the structure which are covered, unexposed or inaccessible and we are therefore unable to report that such parts of the property are free of rot, beetle or other defects.
- Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any Person other than the party to whom it is addressed, without proper written qualification and only in its entirety.
- Neither all nor any part of this report shall be disseminated to the public through advertising, public relations, news, sales or other media, without the prior written consent and approval of the valuer.
- This valuation is based on the information available at the time of valuation. Should further information be made available or come to light, we reserve the right to reconsider our valuation.
- Areas quoted within the valuation report have been provided to us by the Client and or its agents and or employees and or consultants, and we have assumed that they have been arrived at using the SAPOA standard method of measurement. We have not measured the Property and we have relied upon the areas so provided to us.
- We have not arranged for any investigation to be carried out to determine whether or not any hazardous Material has been used in the construction of the Property, or has since been incorporated in the Property, and we are therefore unable to report that the Property is free from risk in this respect. For the purpose of this Valuation Report we have assumed that should such investigation disclose the presence of any such Material to any significant extent then appropriate removal and remediation must be carried out by the Client prior to disposal of the interest, in whole or in part, of the Property.
- In the absence of instructions to the contrary we have assumed that no contaminative or potentially contaminative uses have ever been carried out in or on the Property. We have not carried out any investigation into past or present uses, either on the Property or any immediately neighbouring land to establish whether there is any contamination or potential for contamination to the Property from these uses or sites, and have therefore assumed that none exists.
- However, should it be established subsequently that contamination exists on the Property or on the immediately neighbouring land, or that the Property has been or is being put to a contaminative use, this might reduce the value of the Property now reported.
- We have assumed that the seller will, at his own expenses, provide a Certificate of Compliance in terms of Government Regulation No. 1920 of 1992 issued by an accredited Person certifying that the electrical installation of the premises is reasonably safe.
- All figures within the valuation report exclude V.A.T. @ 14 % or transfer duty if applicable. If the owner is a registered vendor it may be necessary to add Value Added Tax to our valuation to determine the sale price. If the purchaser of the asset is also a registered vendor, the VAT payment should be treated as an Input Tax and thus balanced against the Output Tax payable in the course of its enterprise.
- All figures within the valuation report do not take agents commission or professional fees payable into consideration.

BOARD OF DIRECTORS CURRICULUM VITAE

<p>Julian Hilton Scher</p> <p>Age and Nationality</p> <p>Qualifications:</p> <p>Function and Committees:</p> <p>Background and Experience:</p>	<p>55 years, South African</p> <p>B. Comm. LLB</p> <p>Independent, Non-Executive Chairman, Proposed chair of the Audit Committee</p> <p>Julian as a legal specialist has over the past 28 years been involved in with all aspects of real estate in particular focusing on property development. Julian's focus is predominantly on the commercial aspects of property development, sectional title, property litigation, town planning work and conveyancing.</p> <p>After graduating at Wits University in 1986, Julian joined Webber Wentzel Attorneys during which time he completed his articles and was admitted as an attorney and conveyancer.</p> <p>In 1992 he moved to Time Property Developments as a Development manager and from 1993-1994 was appointed as Manager in the Property Asset Management Division at UAL Merchant Bank (now Nedbank Corporate).</p> <p>He co-founded the law firm Strauss Scher Attorneys in 1994, which over its 23 year history has acted for a number of successful property developers (both large and small), commercial banks (including property development divisions of those banks), estate agents as well as for purchasers and sellers of immovable property.</p> <p>Julian hosted the legal show on Radio 702 for many years and remains one of their regular contributing Experts.</p>
<p>Lawrence John Whall</p> <p>Age and Nationality</p> <p>Qualifications:</p> <p>Function and Committees:</p> <p>Background and Experience:</p>	<p>49 years, South African</p> <p>Chief Executive Officer</p> <p>BSc (Civil) Eng, CA (SA)</p> <p>John completed his Civil Engineering degree at the University of Cape Town in 1989 where after he qualified as a Chartered Accountant in 1993. After completing his articles at Ernst&Young Chartered Accountants he joined the Murray & Roberts Construction group as Financial Manager responsible for all international construction contracts in Africa and the Middle East.</p> <p>In 1999 John joined the construction company Group Five Limited where he held various positions over the next 7 years, including Financial Director of Group Five Roads, Group Five Construction, Group Five Pipe and Group Five Properties. He was also Commercial Director of Group Five Properties, a Trustee of the Group Five Pension Fund and Chairman of Group Five Plant and Equipment. His responsibilities also included the Middle East and Africa as Director of Group Five Pipe in Saudi, and Director of Group Five Companies in Zambia, Malawi, Tanzania, Botswana, Mozambique and Nigeria. During his time here John was also responsible for the development of Middleburg Shopping Centre and various other commercial, showroom and residential developments.</p> <p>During 2006 John founded his own company called Montagu Commercial Developments in partnership with the Montagu Property Group. He also founded a development consulting company called Whall Property Group as well as Find-a-Warehouse and Find-an-Office Internet based property marketing businesses.</p> <p>Over the years John has been in charge of the development of a number of commercial and industrial properties in Gauteng and the Western Cape, through the Montagu Property Group as well as the Cape Gannet Investment Company of which he is a shareholder and director.</p>

<p>Jakoba Dumas</p> <p>Age and Nationality</p> <p>Qualifications:</p> <p>Function and Committees:</p> <p>Background and Experience:</p>	<p>38 years, South African</p> <p>CA (SA)</p> <p>Chief Financial Officer</p> <p>Jakoba has more than 14 years of business experience after qualifying as a Chartered Accountant in 2003. She spent her early career at the BDO Group, both in Cape Town and San Francisco where she was exposed to a variety of listed and private companies in different industries (including manufacturing, technology, commercial property and hospitality).</p> <p>Working for mid-sized auditing firms allowed her to gain experience and insight into the broad workings of entrepreneurial business structures, and her focus grew when she joined Business Partners Ltd as a Portfolio Manager in January 2007 where her portfolio included clients in the commercial property, manufacturing and retail sectors.</p> <p>Jakoba also spent time lecturing in the Finance Department at the University of the Western Cape and at Juta & Co where she assisted with various financial projects from 2010 to 2014. Most recently she helped establish De Warenmarkt, a food and wine emporium located in Stellenbosch.</p>
<p>Martin Radford Evans</p> <p>Age and Nationality</p> <p>Qualifications:</p> <p>Function and Committees:</p> <p>Background and Experience:</p>	<p>60, South African</p> <p>BSc Town and Regional Planning, MBA</p> <p>Independent Non-Executive Director</p> <p>Martin has been involved in the property industry for over 35 years, focusing his attention on the Gauteng area. Martin worked as a Town Planner for a private Town Planning Consultancy, a property analyst for Liberty Properties a property developer for a listed group (Time Group) prior to forming his own Company, Brydens Property Group with a partner in 1992. Together they have built numerous A grade commercial developments through Johannesburg and Pretoria. Martin brings a “green” edge to his developments and developed one of the first commercial 5 and 6 green star rated properties in Gauteng.</p> <p>Martin was a founder member, and now also serves as a Non-Executive Director on the Tower Property Fund Board, a listed property fund with a diversified portfolio of high quality office and retail properties spread across South Africa, with approximately a third of its exposure in Croatia.</p>
<p>Andrew Geoffrey Utterson</p> <p>Age and Nationality</p> <p>Function and Committees:</p> <p>Background and Experience:</p>	<p>47, South-African</p> <p>Independent Non-Executive Director</p> <p>Andrew has 25 years business experience and in 2005 co-founded The Business Centre Group. Andrew served as CEO of The Business Centre Group and has extensive experience in property acquisitions, property development, property management, lease negotiation and building design. In 2017 he successfully negotiated the sale of the entire operating division of the business to the world industry leaders. Andrew is passionate about property and a self-confessed lover of beautiful and contemporary architecture.</p>